

CITY OF TULLAHOMA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

PREPARED BY:

**SUSAN WILSON, CMFO
FINANCE DIRECTOR**

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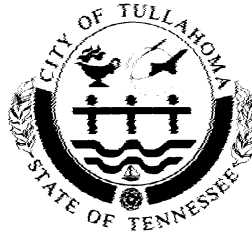
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INTRODUCTORY SECTION



February 15, 2018

To the Honorable Mayor Lane Curlee, Aldermen and Citizens of Tullahoma, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City of Tullahoma, Tennessee. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Tullahoma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Tullahoma's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Tullahoma's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Tullahoma's financial statements have been audited by Housholder Artman, PLLC, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tullahoma's financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and the independent auditor's report on compliance and internal controls. The introductory section includes this transmittal letter, a listing of public officials, and an organizational chart of the Government's public service departments.

The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary information, and statements of individual funds and component units. The Government is required to include MD&A as an analysis of the government's financial performance for the year. This letter of transmittal is intended as an introduction and should be read in conjunction with MD&A.

The statistical section includes demographic and financial information with multiple years shown for comparison.

The fourth section contains the independent auditors' reports on the internal control structure and compliance with laws and regulations as required by of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Profile of the Government

The City of Tullahoma had a 2010 census population of 18,579 and is located in both Coffee and Franklin Counties in southern middle Tennessee. The Government provides a wide range of services including: education, public works, parks and recreation, planning and codes, fire and police protection, public power, water, wastewater services and fiber optics, and general administrative services. The City also operates its own award winning K-12 school system. Tullahoma High School students' ACT and SAT scores consistently exceed state and national averages.

A Board of Mayor and Aldermen govern the City of Tullahoma. The board members serve the city at-large. The Board of Mayor and Aldermen sets policy for the city government, appoints committee and board members, approves an annual budget, enacts laws and ordinances, enters into contracts, and sets public hearings.

Economic Conditions

Tullahoma's central location has fostered its growth into a thriving regional, commercial, retail and medical hub that boasts a healthy business environment and has over 744 service and manufacturing industries within its ten mile radius. 34% of the State's 5.175 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location continues to attract new retail big box and smaller specialty retailers.

Since the opening of Arnold Air Force Base here in 1951, Tullahoma has been an aviation and aeronautics industry center. Arnold Engineering Development Complex at Arnold Air Force Base is home to the world's largest and most comprehensive collection of flight simulation test facilities.

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star Award for the past 20 years. Additionally, Tullahoma has established the Tullahoma

Area Economic Development Corporation to assist local businesses with expansion opportunities, as well as attract new businesses to the area.

Tullahoma is situated near several lakes and parks making it a great recreational haven. It is also a regional center for the arts, with community plays, annual cultural fairs and events, a fine arts center and science contributing to the quality of life for residents and generating tourism revenue.

Primary Government and Component Units

As detailed later in the Management Discussion and Analysis portion of this financial report, the City of Tullahoma is comprised of several related entities. The City of Tullahoma Board of Mayor and Aldermen have varying degrees of authority for the operations of these entities by state law, or by local charter and ordinance. The City of Tullahoma and the Tullahoma City Schools are shown in the financial report categorized under “Primary Government – Governmental Activities.” The Tullahoma City Schools are governed by an elected Board of Education empowered with the daily operations of the school system. Approval of the Board of Mayor and Aldermen is required for the annual budget, capital projects and debt issuance. The Board of Education, by state law, cannot levy taxes, and therefore has limited power to generate revenues other than establishing tuition or service-related fees. A City Alderman is appointed annually as the non-voting liaison to the Board of Education, and the City provides a large portion of the school’s operating budget and debt service as periodic transfers throughout the year.

The Tullahoma Airport Authority (TAA), the Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) and the Tullahoma Utilities Authority (TUA) are all reported as component units of the City of Tullahoma,. The Board of Mayor and Aldermen appoint the members of these boards as well, with an Alderman as a non-voting liaison. With the exception of TUA, The City of Tullahoma also provides the majority of the operating budget for these entities. TUA converted from a municipal utility to a public authority in FY2017, and derives its income from service fees charged for provision of electricity and fiber-optics and water wastewater collection. As part of the transition to a public authority, TUA converted all outstanding debt issues from revenue and general obligation to revenue only in FY2017, and thus will no longer appear a component unit in subsequent years.

Long –Term Financial Planning

The Board of Mayor and Alderman adopted “Building Our Future: Tullahoma’s Strategic Plan.” This document incorporates previous committee and community planning meetings, growth studies, development studies and plans to provide a comprehensive tool for immediate and long-term planning. This forty-six page document serves as the basis for long range capital and operating forecasts as well as annual budgetary decisions. The City of Tullahoma joined with the City of Manchester and Coffee County in 2005 to participate in the Governor’s Three Star Program. As part of that process, the City of Tullahoma’s strategic plan was folded into a new county-wide economic development plan entitled, “Our Future Together: Coffee County Tennessee Strategic Development Plan FY2006-2010”. This plan provided a five-year planning basis for many of the

initiatives now in process. The plan covers several broad themes such as creating a vibrant economy, developing a safe, caring and diverse community as well as promoting goals and objectives to facilitate a sustainable healthy environment. The annual budget process integrates the philosophies of this document into capital expenditure planning and direction.

Budget Process

The Tullahoma Municipal Code (Title 6, Chapter 1, Section 6-102) provides that no later than fifteen (15) days prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the Board of Mayor and Alderman a proposed budget for the next fiscal year, showing separately for the general fund and for each other fund the following information: Revenue and expenditures during the preceding fiscal year; Appropriations and estimated revenue and expenditures for the current fiscal year; and Estimated revenue and recommended expenditures for the next fiscal year.

The Mayor and/or City Administrator may recommend and estimate additional revenue measures including increases in property tax rates, provided estimates are separated clearly from normal revenue estimates. The budget will be accomplished by a message from the Mayor containing a statement of the general fiscal policies of the City, the important features of the budget, explanations of major changes recommended for the next fiscal year as compared with the current fiscal year, a general summary of the budget and such other comments and information as may be deemed pertinent to the budget process. To ensure compliance with this Municipal Code requirement, a budget schedule is prepared to facilitate the decision-making process by providing overall direction to City departments and independent boards and agencies that derive funding from City government. The budget preparation process begins in late winter when the City departments begin preparation of long-term capital improvement project requests.

In early March, City departments begin assessing new resource needs for the coming year relative to equipment, maintenance requirements, information technology, and proposed new and expanded work programs. In early April, the Mayor presents his goals and objectives for the upcoming fiscal year to the Board of Mayor and Aldermen. Based on those initiatives, budget requests and supporting documentation is prepared by individual departments and submitted for review by the City Administrator and Finance Director. The Finance Director then creates a preliminary budget for review by staff and the Board during the budget process. The budget documentation submitted by individual departments also includes a statement of proposed departmental goals and objectives, performance measures and estimates of performance for the coming fiscal year, and a detailed line item budget outlining expenditure and justifications for maintaining current and expanded expenditure levels. During April, the City Administrator conducts a review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives.

During May, the Finance Director, with direction from the City Administrator, compiles the information from earlier steps in the budget process into one budget document for review by the Board of Mayor and Aldermen. Generally, the last half of April and early May is set aside for the City Administrator's budget review sessions with department

heads and elected officials. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of May. Expenditures and revenue projections for the current fiscal year and estimates for the proposed fiscal year are updated with the latest available data. Final adjustments to routine operating expenditures and anticipated revenues can be introduced for inclusion in the Proposed Budget during this time.

The budget draft for the upcoming fiscal year is first presented to the Board of Mayor and Aldermen in late April for initial review. Budget Work Sessions are held with the Board of Mayor and Aldermen to review the proposed operating budget and proposed allocations to independent boards and agencies deriving funds from City government. These work sessions provide opportunities for the Board, independent boards and agencies, department heads, and the public to comment and ask questions about the proposed budget and to request additional information as needed.

During June, the Board of Mayor and Aldermen will conduct public hearings on the Proposed Budget. These hearings provide formal citizen input to the Board on decisions and issues related to the budget. The first reading of the Budget Ordinance is held at either the first or the second regular meeting in June. The Board of Mayor and Aldermen will formally consider and may amend the proposed budget as deemed necessary and adopt the authorized ordinances pertaining to the budget process. The Board of Mayor and Aldermen schedule special call meetings as necessary specifically for the purpose of reviewing and adopting the proposed budget. Upon the third and final reading by the Board of Mayor and Alderman, the Board will set the appropriate tax rate for the upcoming year.

The City of Tullahoma's budget process encourages interaction among the City Administrator, members of the Board of Mayor and Aldermen, City departments, independent boards and agencies, and the general public. The City continues to review and refine this practice each year to ensure public participation at each step in the decision-making process and that the budget procedure is an informative and complete plan for identifying the revenues and expenditures, and the purposes thereof for the coming fiscal year.

Annual Independent Audit

Section 5-106 of the Code of Ordinances of the City of Tullahoma dictates that "The Board shall employ a certified public accountant to make an annual audit of all financial books and records of the city." It further cites Tennessee Code Annotated §6-56-105 which states that the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds. All audits must be submitted to the comptroller of the treasury for approval. The city periodically solicits professional proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.

Single Audit

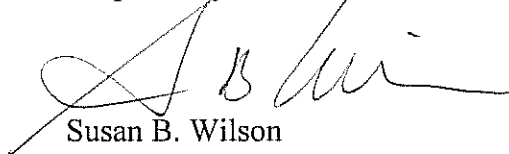
As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including the portion related to federal and state financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2017 are included in this financial report under the Reports on Compliance and Internal Controls section.

Awards and Acknowledgements


The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the years 1992-1994 and 1996-2009, and 2011-2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of the state and local government financial reports. This Comprehensive Annual Financial Report will also be submitted for award consideration.

Many individuals in all our boards and agencies assisted in the preparation of this Comprehensive Annual Financial Report and we appreciate their cooperation and dedication, as well as the assistance of the City Recorder and Finance Department staff.

Respectfully submitted,



Susan B. Wilson
Finance Director



Louis J. Baltz, III
City Administrator



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Tullahoma
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

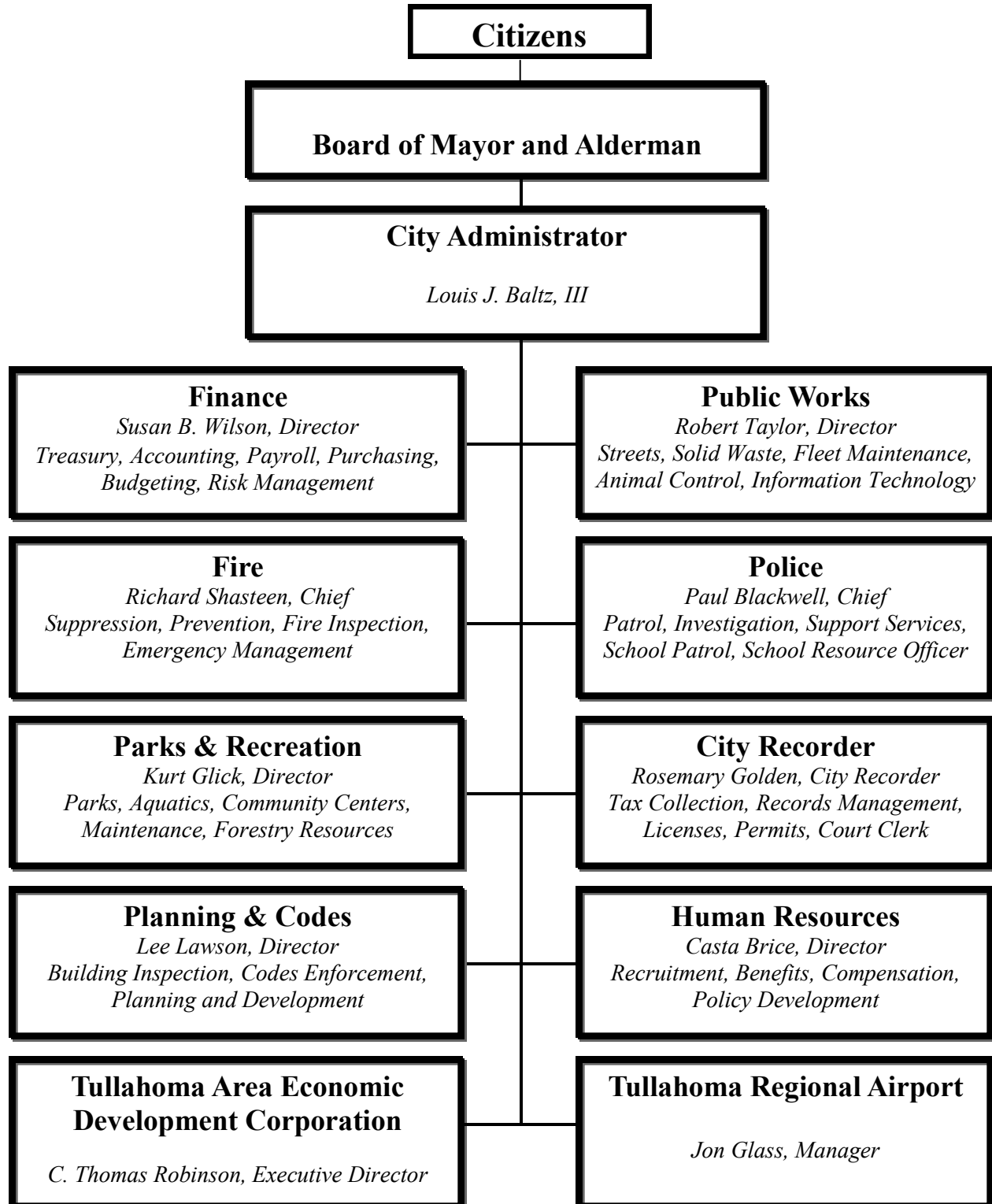
Executive Director/CEO

CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS

Mayor	Lane Curlee
Mayor Pro-Tem	Jerry Mathis
Alderman	Mike Stanton
Alderman	Jackie Duncan
Alderman	Reneé Keene
Alderman	Ray Knowis
Alderman	James H. Blanks
City Administrator	Louis J. Baltz, III
City Attorney	Steve Worsham
Finance Director, CMFO	Susan Wilson
City Recorder	Rosemary Golden
Accounting Manager	Donna Graham
Director of Public Works	Wayne Limbaugh
Fire Chief	Richard Shasteen
Police Chief	Paul Blackwell
Director of Parks and Recreation	Kurt Glick
Human Resources Director	Casta Brice
Director of Planning and Codes	Lee Lawson
Director of Schools, Tullahoma Board of Education	Dr. Dan Lawson
Manager, Tullahoma Municipal Airport Authority	Jon Glass
General Manager, Tullahoma Utilities Authority	Brian Skelton
Executive Director, Tullahoma Area Economic Development Corporation	C. Thomas Robinson
Treasurer, Tullahoma Industrial Development Board	Susan Wilson



City of Tullahoma



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2017, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of contributions, changes in net pension liability and related ratios, investment returns, proportionate share of net pension asset – pension plans, and schedules of funding progress and employer contributions – other post employment benefits on pages A-1 through A-14 and B-69 through B-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's basic financial statements. The introductory section on pages i through x, combining and individual non-major fund financial statements on pages C-2 through C-12, financial schedules on pages C-1, D-1 through D-11 and D-17 through D-18, and statistical section on pages E-1 through E-28, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages D-12 through D-16 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund statements and financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018 on our consideration of the City of Tullahoma, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tullahoma, Tennessee's internal control over financial reporting and compliance



Tullahoma, Tennessee
February 15, 2018



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes a transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis and general financial statements for the City of Tullahoma and its component units. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The fourth section is the independent auditor's reports on compliance and internal controls.

**Government Finance Officers Association (GFOA) Certificate of Achievement for
Excellence in Financial Reporting**

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the years 1992-1994, and 1996-2009, and 2011-2016. This has been a major achievement for the City. This recognition also reflects significant cooperation between all boards and agencies of the City included in the CAFR and the auditing firm that prepared the CAFR. This CAFR will also be submitted for national award consideration.

THE REPORTING ENTITY AND ITS COMPONENT UNITS

This report contains all of the funds and component units of the City of Tullahoma. It includes all activities considered to be part of the "reporting entity" of the City of Tullahoma in compliance with authoritative criteria. In evaluating as to how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board Statement Number 14.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

The City of Tullahoma (Primary Government – Governmental Activities)

Tullahoma is located in Southern Middle Tennessee approximately equal distances from Nashville and Chattanooga, Tennessee, and Huntsville, Alabama. The City comprises 25.8 square miles of area located in both Coffee and Franklin Counties. The 2010 census listed Tullahoma's population as 18,579. The City of Tullahoma provides general municipal services in the areas of public safety, public works, planning, and recreation. The Public Works Department also provides solid waste, brush and leaf collection and disposal.

Tullahoma City Schools (Primary Government – Governmental Activities)

Tullahoma City Schools (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,372 students in grades K-12. An extended school program is in place to provide before and after school child care for our students. The school system is recognized within the State of Tennessee for its academic excellence.

Tullahoma Municipal Airport Authority (Component Unit)

The Tullahoma Municipal Airport Authority (TAA) operates the Tullahoma Regional Airport. The Tullahoma Municipal Airport plays a vital role in the economic growth of Tullahoma and the surrounding region. Located less than a mile from restaurants, lodging and shopping, it operates on an airport originally constructed in 1942 for the U. S. Army Air Corps. The Airport completed a \$4.3 million paving project in 2008 that significantly enhanced the Airport's ability to support a wide variety of business and recreational opportunities. The 5,500 foot long runway is capable of handling all types of corporate jet aircraft. The Airport also offers an additional 4,200 foot paved runway and a 2,700 foot long grass runway. The City-owned Airport contains 775 acres of land and has approximately 170 acres ready for development. Nineteen new private hangars were completed in 2008, four more in 2010 and the Airport is home to over 140 based aircraft. The Airport averages about 40,000 flight operations each year and opened a new, modern and spacious terminal building in 2010.

The Airport is home to the "world class" Beechcraft Heritage Museum complex that houses over 30 vintage, fully restored Beechcraft-built Staggerwing, Twin Beech and Bonanza aircraft, and is open to the public. The University of Tennessee Space Institute's Flight Research Center is based at the Airport, conducting advanced aerospace research and offering an advanced test pilot curriculum. The Airport is also home to one of Vanderbilt University's Life Flight helicopter medical evacuation facilities, providing 24/7 rapid patient transport response to the numerous medical centers in Nashville as well as Tennova Healthcare- Harton Regional Medical Center in Tullahoma

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

Tallahoma Utilities Authority (Component Unit)

The Tallahoma Utilities Authority (TUA) is a municipal public utility and an independent agency of the City of Tallahoma, and provides electricity, water and wastewater services to the residents of Tallahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, the TUA currently serves 10,704 electric customers. The TUA purchases wholesale water from the Duck River Utility Commission to serve its 9,947 water customers. The TUA also operates a wastewater treatment facility with 7,662 sewer customers. The TUA expanded into the fiber optics area and now offers television, telephone and internet services to over 3,581 customers.

Tallahoma Industrial Development Board (Component Unit)

The Tallahoma Industrial Development Board (TIDB) is a Component Unit of City Government. The TIDB was incorporated in 1965. The TIDB's original mission was to acquire, sell, lease, and dispose of properties in an effort to create jobs, promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate in and near the City of Tallahoma. In June, 2005, the TIDB consolidated those functions with the Coffee County Industrial Board. The TIDB retained its charter and bylaws and amended its mission to monitor and service existing industrial revenue bond issues and to perform any and all acts as set forth and authorized in Section 6-2801 et seq. of the Tennessee Code Annotated. The TIDB turned over management of all assets to the City of Tallahoma. The City continues to utilize those financial assets for economic development activities.

Tallahoma Area Economic Development Corporation (Component Unit)

The Tallahoma Area Economic Development Corporation (TAEDC) was established to help Tallahoma capture economic activity by:

- Creating an economic development organization with a strategic and focused approach to economic planning and development activities
- Establishing a framework for quality economic growth and development targeting particular segments
- Formulating and implementing programs to increase job opportunities
- Partnering with businesses as well as state and local agencies

The Tallahoma Area Economic Development Corporation consists of seven members elected by the Tallahoma Board of Mayor and Aldermen.

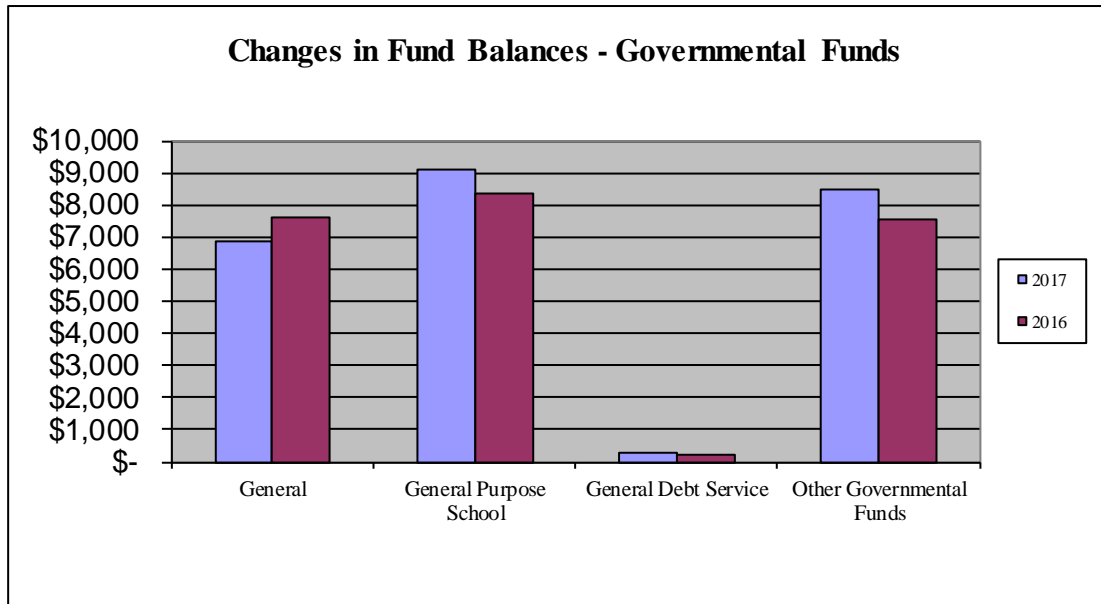
For purposes of this report, the City of Tallahoma and the Tallahoma City Schools financial information has been consolidated and identified as Governmental Activities under the Primary Government sector. Component Units presented in this report are the Tallahoma Utilities Authorities, Tallahoma Industrial Development Board, the Tallahoma Municipal Airport Authority, and the Tallahoma Area Economic Development Corporation.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,297 (net position). Of this amount, \$9,811 is net investment in capital assets; \$15,148 is restricted for debt service, education and other use, with \$5,338 available to meet other ongoing obligations. The Governmental Activities net position increased by \$4,256.
- The Governmental Activities indicates an increase in net investment in capital assets of \$1,792. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$24,687, an increase of \$820 from the prior year. While the fund balance in the General Purpose School Fund increased by \$580 and General Debt Service Fund increased by \$41, the fund balance in the City General Fund decreased by \$736 and the fund balance in the other governmental funds increased by \$935.
- At the end of the current fiscal year, fund balance for the City's General Fund was \$6,862, or 24.9% of total General Fund expenditures including transfers out.
- The ending fund balance in the General Purpose School Fund increased by 6.8% in FY2017 to \$9,070 or 29.3% of total expenses for that fund.
- The ending fund balance in the General Debt Service Fund increased by 18.0% in FY2017 to \$269 or 7.2% of total expenses for that fund.
- The City's total gross debt increased by \$231 during 2017. However, the Tullahoma Utilities Authority refinanced all of its revenue and general obligation backed debt into revenue only instruments, removing any City liability for those obligations.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows of resources, with the difference between assets and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave, etc.).

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

The Government-wide Income Statement distinguishes functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, public works, culture and recreation, and education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: Governmental Funds and Proprietary Fund – Internal service Fund.

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen (14) individual government funds, eleven (11) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the General-Purpose School Fund, General Debt Services Fund and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements on pages C-2 to C-3 of this report. The basic governmental fund financial statements can be found on pages B-3 and B-5.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget on pages B-7 to B-15 of this report.

- **Proprietary Fund - Internal Service Fund**

As the City is self-insured for health insurance, the City maintains one (1) internal service fund, a medical trust fund, which is used to account for the funding of employee health and wellness functions funded by the general fund and other component units that utilize city staff rendering services to those agencies of the government on a cost allocated basis. The internal service fund statements can be found on pages B-16 to B-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They further define the audited entities, partnerships and financial relationships. The notes to the financial statements can be found on pages B-21 to B-68 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds, budget comparison schedules for funds with legal budgets other than the general fund and other major special revenue funds, and internal service funds are presented immediately following the required supplementary information on pages C-2 to C-12 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets and deferred inflows of resources exceed liabilities and deferred outflows of resources reported by \$30,297 at the close of the most recent fiscal year. The City's net investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated depreciation. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

City of Tullahoma's Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 40,413	\$ 38,150
Capital assets, net of accumulated depreciation	<u>45,707</u>	<u>46,479</u>
Total assets	86,120	84,629
Deferred outflows of resources	6,836	5,954
Liabilities:		
Long-term liabilities outstanding	45,453	45,684
Other liabilities	<u>3,823</u>	<u>2,547</u>
Total liabilities	49,276	48,231
Deferred inflows of resources	13,383	16,427
Net position:		
Net investment in capital assets	9,811	7,779
Restricted	15,148	12,199
Unrestricted	<u>5,338</u>	<u>5,947</u>
Total net position	<u>\$ 30,297</u>	<u>\$ 25,925</u>

A portion of the Governmental Activities total net position \$15,148 (50.0%) represents resources that are subject to external restrictions on how they may be used. These include net position restricted for payments on bonded debts and notes, drug prevention assets, assets for capital construction and projects, equipment replacement, and pension net asset, as well as education funds. The remaining balance of unrestricted net position \$5,338 may be used to meet the government's ongoing obligations to citizens and short-term creditors.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

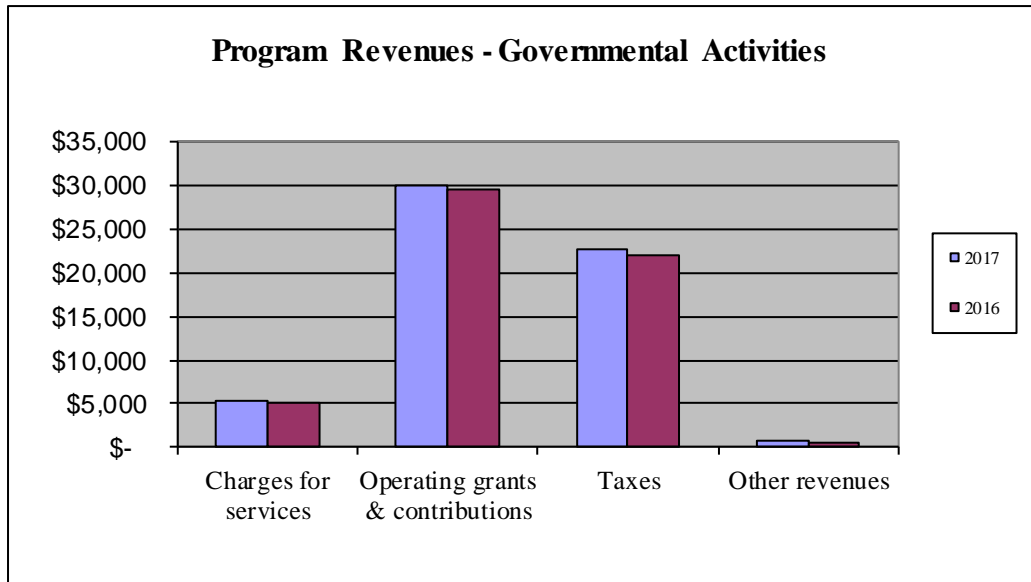
City of Tullahoma's Change in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 5,236	\$ 5,072
Operating grants & contributions	29,933	29,518
Capital grants & contributions	-	-
General revenues:		
Taxes	22,720	22,074
Other revenues	799	436
Investment earnings	104	79
Transfers	-	391
Total revenues	58,792	57,570
Expenses:		
General government	4,649	4,583
Public safety	5,781	5,422
Public works	4,806	4,649
Community services	739	570
Waste management	2,350	2,028
Education	35,282	32,127
Interest & debt	929	939
Total expenses	54,536	50,318
Change in net position	4,256	7,252
Net position, beginning of period	25,926	18,714
Adjustment to restate beginning net position	115	(40)
Net position, beginning, as restated	26,041	18,674
Net position, end of period	<u>\$ 30,297</u>	<u>\$ 25,926</u>

Changes in Net Position

- Governmental Activities increased net position by \$4,256. The improvement in Governmental Activities net position was in part due to the General Purpose School Fund improving by \$580 based on strong local sales tax collections and state funding. The City general fund net assets decreased by \$736 due to emergency expenses incurred for clean-up necessitated by a tornado touchdown. This increased overtime costs for both public safety and public works salaries, and generated the \$322 increase in waste management for chipping and brush disposal. It should be noted that actuarial changes for pension accrual decreased the deferred inflows of resources from \$6,090 in fiscal year 2016 to \$2,989 in 2017.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)



Governmental Activities reflect an increase of \$646 in taxes, which includes both the local property tax increase and the improved sales tax collections due to economic improvements and growth in the retail sector. Additionally, the City was able to secure a couple of large state infrastructure grants to assist with street paving as well as airport updates and repairs.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

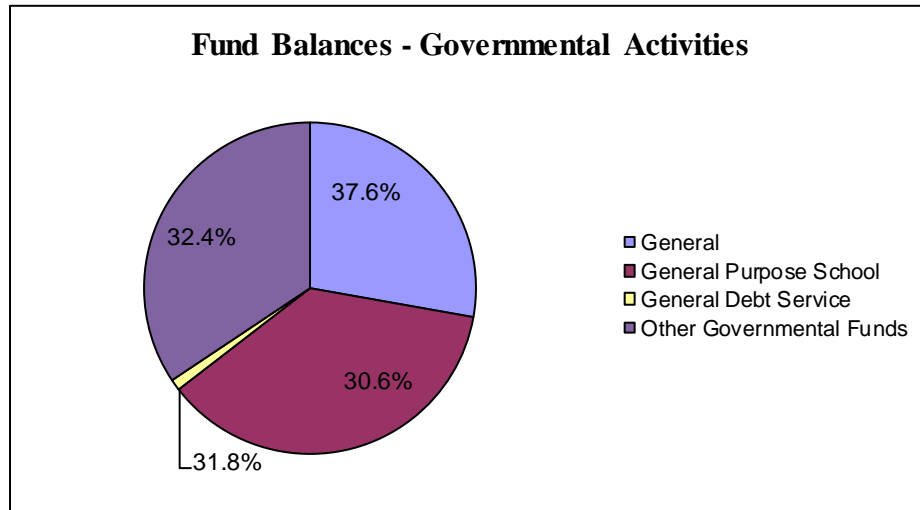
The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Tullahoma's Governmental Funds reported combined ending fund balances of \$24,687, an increase of \$820 from the prior year. Both the City General Fund and General Purpose School Fund benefited from increased sales tax and property tax collections.

The City also operates a Solid Waste Fund, but this is not operated as a business-type activity. Although the city charges commercial customers for solid waste collection, residential collection, brush disposal, and litter collection are subsidized by a transfer of property tax dollars from the general fund. Recycling charges in this fund are primarily funded through the revenues generated.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,705 while total fund balance amounted to \$6,862. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.
- Unassigned fund balance represents 17.1% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$736 as a result of the current fiscal year operations. The General Fund had \$15 in outstanding encumbrances at year end.
- The General Purpose School Fund has a total fund balance of \$9,070. For fiscal year 2017 expenditures increased by \$2,383, revenues increased by \$985.
- The General Debt Service fund has an ending fund balance of only \$269. Funds are transferred in from both the City General Fund and the Education Debt Service fund for payments on bonds and notes.
- The Education Debt Service Fund had a beginning fund balance of \$3,467, which decreased by \$43 to \$3,424 at year end. The fund experiences some fluctuation due to variable interest rate payments on a 2008 \$12,000 loan for school renovation projects. Those projects included the renovation of the Tullahoma High School football stadium and auditorium which were completed in fiscal year 2011, and the renovation and expansion of East Lincoln Elementary School which was completed in fiscal year 2012
- The City Capital Projects are the next largest non-major fund, with an ending balance of \$1,921, increased by \$404 from fiscal year 2017. Most of the projects in this group are for street paving, for sidewalks and other infrastructure, and for utilizing transfers from general fund as the local grant match to leverage State of Tennessee Department of Transportation funding.
- Non-major Governmental Funds have an ending fund balance of \$8,486. This grouping consists primarily of smaller city capital projects funds, school federal and state projects, education debt service, school food services, extended school program, school capital projects, equipment replacement fund, and UDAG.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

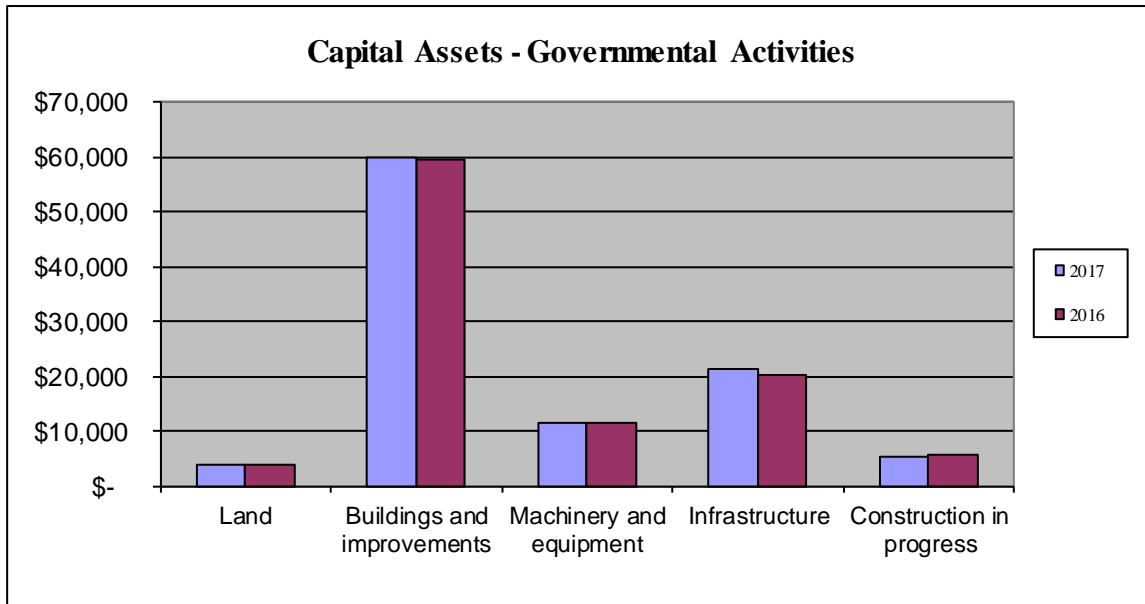
The City's investment in capital assets from its Governmental as of June 30, 2017, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007. Additional information concerning capital assets can be found in Note 5 of the Notes to the Financial Statements on pages B-32 and B-34 of this report.

City of Tullahoma's Capital Assets

	Governmental Activities	
	2017	2016
Land	\$ 3,975	\$ 3,933
Buildings and improvements	59,834	59,471
Machinery and equipment	11,433	11,385
Infrastructure	21,460	20,206
Construction in progress	5,342	5,639
Total capital assets	<u>\$ 102,044</u>	<u>\$ 100,634</u>

The total capital assets in the Governmental Activities increased by \$1,410, and are reflected in the infrastructure and building accounts, where completed projects were transferred from the construction in progress account. The City renovated the indoor pool at D.W. Wilson Community Center, added a new concession area and converted the old outdoor pool into a water park called "Splash Island." The recreation projects were completed in fiscal year 2017, as well as some paving projects. Machinery and equipment increased by \$48 with the addition of new police cars and pick-up trucks.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)



Long-Term Debt

- Governmental Activities**

In fiscal year 2017, The City of Tullahoma did not issue any new debt. Total City and School debt payments of \$3,744 resulted in a decrease in long-term debt of \$2,832, excluding changes in other obligations payable. Other obligations payable include accrued vacation and sick leave and other obligations for both governmental entities. City of Tullahoma Outstanding debt at year end consisted of bonds and notes totaling \$10,181. The Tullahoma City Schools outstanding debt amounted to \$25,873. The City established a sinking fund by private act that appropriates a portion of sales tax collections towards payment of school debt. These proceeds are transferred monthly from the General Fund to the Education Debt Service Fund, and then transferred back to the City Debt Service Fund as payments become due. The Education Debt Service Fund reflected a balance of \$3,423 at year end while the City Debt Service Fund contained \$269.

City of Tullahoma's Outstanding Debt

	Governmental Activities	
	2017	2016
Notes payable	\$ 6,163	\$ 6,559
General obligation bonds	30,004	32,440
Other obligations payable	9,286	6,685
Total long-term debt	<u>\$ 45,453</u>	<u>\$ 45,684</u>

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tullahoma, Finance Department, P.O. Box 807, Tullahoma, TN 37388.



CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		Combined Discretely Presented Component Units
	Governmental Activities	Total	
ASSETS:			
Cash and cash equivalents	\$ 25,598,766	\$ 25,598,766	\$ 14,569,742
Investments	114,517	114,517	-
Receivables	12,147,557	12,147,557	3,212,124
Allowance for doubtful accounts	(993,083)	(993,083)	(19,785)
Unbilled revenue	-	-	2,426,446
Due from other governments	2,223,394	2,223,394	100,183
Inventory	-	-	1,644,219
Other assets	124,849	124,849	1,166,766
Restricted assets:			
Cash and cash equivalents	-	-	7,895,675
Notes receivable	1,164,926	1,164,926	238,177
Net pension asset	31,455	31,455	-
Capital assets:			
Utility plant in service	-	-	65,445,350
Land	3,975,345	3,975,345	2,214,879
Buildings and improvements	59,834,271	59,834,271	26,529,397
Furniture, machinery, and equipment	11,432,644	11,432,644	5,949,132
Construction in progress	5,341,739	5,341,739	16,434,145
Infrastructure	21,459,612	21,459,612	-
Accumulated depreciation	(56,336,185)	(56,336,185)	(56,958,569)
Total assets	86,119,807	86,119,807	90,847,881
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	253,389	253,389	-
Deferred outflows related to pension	6,583,233	6,583,233	11,675
Total deferred outflows of resources	6,836,622	6,836,622	11,675
LIABILITIES:			
Accounts payable	2,247,804	2,247,804	6,454,057
Accrued liabilities	1,342,977	1,342,977	640,254
Accrued interest payable	164,090	164,090	-
Due to other governments	68,500	68,500	-
Other liabilities	-	-	2,248,929
TVA advances	-	-	245,464
Liabilities payable from restricted assets:			
Contracts and retainage	-	-	103,054
Noncurrent liabilities:			
Due within one year	2,939,000	2,939,000	1,906,132
Due in more than one year	42,513,497	42,513,497	16,237,319
Total liabilities	49,275,868	49,275,868	27,835,209
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue	10,393,825	10,393,825	20,433
Deferred inflows related to pension	2,989,445	2,989,445	-
Total deferred inflows of resources	13,383,270	13,383,270	20,433
NET POSITION:			
Net investment in capital assets	9,810,692	9,810,692	43,302,009
Restricted:			
Restricted for debt service	3,692,686	3,692,686	285,846
Restricted for construction	2,073,296	2,073,296	7,448,178
Restricted for equipment replacement	848,024	848,024	-
Restricted for drug enforcement	99,636	99,636	-
Restricted for UDAG and USDA loans	1,992,478	1,992,478	-
Restricted for school operations	5,816,484	5,816,484	-
Restricted for net pension asset	31,455	31,455	-
Restricted - other	594,266	594,266	86,783
Unrestricted	5,338,274	5,338,274	11,881,098
Total net position	\$ 30,297,291	\$ 30,297,291	\$ 63,003,914

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Combined Discretely Presented Component Units
					Governmental Activities	Total	
Primary government:							
Governmental activities:							
General government	\$ 4,648,635	\$ 3,043,166	\$ 3,259,293	\$ -	\$ 1,653,824	\$ 1,653,824	\$ -
Public safety:							
Police	3,106,653	17,014	-	-	(3,089,639)	(3,089,639)	-
Fire	2,674,228	-	-	-	(2,674,228)	(2,674,228)	-
Public works	4,805,951	-	-	-	(4,805,951)	(4,805,951)	-
Community services	739,254	-	-	-	(739,254)	(739,254)	-
Waste management	2,350,140	1,072,840	-	-	(1,277,300)	(1,277,300)	-
Education	35,281,626	1,103,479	26,673,408	-	(7,504,739)	(7,504,739)	-
Interest and other debt related costs	928,612	-	-	-	(928,612)	(928,612)	-
Total governmental activities	<u>54,535,099</u>	<u>5,236,499</u>	<u>29,932,701</u>	<u>-</u>	<u>(19,365,899)</u>	<u>(19,365,899)</u>	<u>-</u>
Total primary government	<u>\$ 54,535,099</u>	<u>\$ 5,236,499</u>	<u>\$ 29,932,701</u>	<u>\$ -</u>	<u>(19,365,899)</u>	<u>(19,365,899)</u>	<u>-</u>
Combined discretely presented component units	<u>\$ 43,981,707</u>	<u>\$ 44,006,734</u>	<u>\$ 1,933,272</u>	<u>\$ 19,250</u>	<u>-</u>	<u>-</u>	<u>1,977,549</u>
General revenues:							
Taxes:							
Property					10,691,265	10,691,265	-
Sales					9,653,579	9,653,579	-
Wholesale beer					565,729	565,729	-
Wholesale liquor					290,077	290,077	-
Business					1,011,554	1,011,554	-
Cable tv franchise					245,925	245,925	-
Hotel/Motel					262,098	262,098	-
Sale of fuel and oil					-	-	658,865
Other revenues					791,353	791,353	388,522
Unrestricted investment earnings					103,373	103,373	139,550
Gain on sale of property					7,000	7,000	22,203
Total general revenues and transfers					<u>23,621,953</u>	<u>23,621,953</u>	<u>1,209,140</u>
Change in net position					4,256,054	4,256,054	3,186,689
Net position, beginning, as previously presented					25,925,523	25,925,523	59,817,225
Adjustment to restate beginning net position (See Note 2)					115,714	115,714	-
Net position, beginning, as restated					<u>26,041,237</u>	<u>26,041,237</u>	<u>59,817,225</u>
Net position, ending					<u>\$ 30,297,291</u>	<u>\$ 30,297,291</u>	<u>\$ 63,003,914</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 6,264,579	\$ 10,822,116	\$ 276,694	\$ 7,785,119	\$ 25,148,508
Investments	-	-	-	114,517	114,517
Receivables	12,043,896	-	-	73,804	12,117,700
Allowance for doubtful accounts	(969,806)	-	-	(23,277)	(993,083)
Due from other governments	1,113,183	171,826	-	938,385	2,223,394
Due from other funds	-	645,421	-	148,852	794,273
Prepaid items	70,057	35,900	-	1,840	107,797
Notes receivable	-	-	-	1,164,926	1,164,926
Total assets	<u>\$ 18,521,909</u>	<u>\$ 11,675,263</u>	<u>\$ 276,694</u>	<u>\$ 10,204,166</u>	<u>\$ 40,678,032</u>
LIABILITIES:					
Accounts payable	\$ 456,783	\$ 1,614,296	\$ 7,715	\$ 147,485	\$ 2,226,279
Accrued liabilities	104,373	-	-	33,282	137,655
Accrued payroll	211,817	922,437	-	71,068	1,205,322
Due to other governments	-	68,500	-	-	68,500
Due to other funds	493,273	-	-	301,000	794,273
Total liabilities	<u>1,266,246</u>	<u>2,605,233</u>	<u>7,715</u>	<u>552,835</u>	<u>4,432,029</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	10,383,215	-	-	-	10,383,215
Unavailable revenue - other revenue	10,610	-	-	-	10,610
Unavailable revenue - loans	-	-	-	1,164,926	1,164,926
Total deferred inflows of resources	<u>10,393,825</u>	<u>-</u>	<u>-</u>	<u>1,164,926</u>	<u>11,558,751</u>
FUND BALANCES:					
Nonspendable:					
Prepaid items	70,057	35,900	-	1,840	107,797
Restricted for:					
Capital improvements	-	-	-	1,933,296	1,933,296
Debt service	-	-	268,979	3,423,707	3,692,686
Drug enforcement	4,062	-	-	95,574	99,636
Grant projects	-	-	-	975,449	975,449
School operations	-	8,435,127	-	606,831	9,041,958
Solid waste	-	-	-	381,104	381,104
Extended school	-	-	-	220,580	220,580
Equipment replacement	-	-	-	848,024	848,024
Other projects	211,322	-	-	-	211,322
Committed to:					
Stabilization fund	1,856,318	-	-	-	1,856,318
Assigned	15,293	599,003	-	-	614,296
Unassigned	4,704,786	-	-	-	4,704,786
Total fund balances	<u>6,861,838</u>	<u>9,070,030</u>	<u>268,979</u>	<u>8,486,405</u>	<u>24,687,252</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,521,909</u>	<u>\$ 11,675,263</u>	<u>\$ 276,694</u>	<u>\$ 10,204,166</u>	<u>\$ 40,678,032</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017

Fund balances - total governmental funds	\$ 24,687,252
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Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported for governmental funds in the Balance Sheet because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in governmental funds.

Capital assets	102,043,612
Less accumulated depreciation	(56,336,185)

Net pension assets are not current financial resources; therefore, they are not reported in the governmental funds.	31,455
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Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds.

Bonds payable	(29,891,000)
Less deferred charge on refunding	253,389
Less deferred charge for issuance costs	17,052
Add bond premium	(113,176)
Accrued interest payable	(164,090)
Notes payable	(6,163,000)
Net pension obligation	(6,134,361)
OPEB obligation	(1,860,097)
Compensated absences	(1,290,864)

An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	458,590
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Principal payments on notes receivable are revenues for governmental funds; therefore, they are reported as unearned revenues until they are received.	1,164,926
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expenses in future years.

Deferred outflows of resources related to pensions	6,583,233
Deferred inflows of resources related to pensions	<u>(2,989,445)</u>

Net position - total governmental activities	<u><u>\$ 30,297,291</u></u>
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The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 10,691,265	\$ -	\$ -	\$ -	\$ 10,691,265
Sales taxes	9,653,579	-	-	-	9,653,579
Other taxes	1,793,032	-	-	-	1,793,032
Payment in lieu of tax	582,351	-	-	-	582,351
Licenses and permits	95,928	-	-	-	95,928
Fines and forfeitures	340,979	-	-	-	340,979
Intergovernmental	2,841,804	6,106,483	-	-	8,948,287
Grants	31,518	16,267,204	-	4,685,692	20,984,414
Charges for services	420,749	311,719	-	1,881,614	2,614,082
Investment income	38,655	22,989	445	39,641	101,730
Note repayments	-	-	-	321,650	321,650
Sale of property	2,000	-	-	5,000	7,000
Other revenues	290,449	354,727	-	93,478	738,654
Total revenues	26,782,309	23,063,122	445	7,027,075	56,872,951
EXPENDITURES:					
Current:					
General government	1,596,369	-	-	-	1,596,369
Public safety:					
Police protection	3,033,143	-	-	-	3,033,143
Fire protection	2,636,391	-	-	-	2,636,391
Public works	2,701,517	-	-	-	2,701,517
Parks and recreation	1,892,417	-	-	-	1,892,417
Community services	736,690	-	-	-	736,690
Education:					
Administration	-	4,087,157	-	-	4,087,157
Regular education	-	15,712,839	-	965,012	16,677,851
Special education	-	3,539,528	-	1,449,027	4,988,555
Vocational education	-	816,358	-	557	816,915
Adult education	-	20,283	-	-	20,283
Attendance	-	282,080	-	-	282,080
Health services	-	277,728	-	-	277,728
Other student support	-	645,476	-	13,775	659,251
Instructional staff	-	509,963	-	-	509,963
Plant operations	-	2,665,130	-	-	2,665,130
Plant maintenance	-	1,091,993	-	-	1,091,993
Transportation	-	118,638	-	-	118,638
Community services	-	(554)	-	-	(554)
Program costs	-	-	-	5,018,525	5,018,525
Debt service:					
Principal retirement	-	-	2,790,500	-	2,790,500
Interest	-	-	953,753	-	953,753
Fiscal charges	-	-	1,650	-	1,650
Capital outlay	173,898	1,158,806	-	1,025,626	2,358,330
Loans disbursed	-	-	-	138,366	138,366
Total expenditures	12,770,425	30,925,425	3,745,903	8,610,888	56,052,641
Excess (deficiency) of revenues over (under) expenditures	14,011,884	(7,862,303)	(3,745,458)	(1,583,813)	820,310
OTHER FINANCING SOURCES (USES):					
Transfers in	-	8,442,316	3,786,531	5,069,992	17,298,839
Transfers out	(14,747,651)	-	-	(2,551,188)	(17,298,839)
Total other financing sources (uses)	(14,747,651)	8,442,316	3,786,531	2,518,804	-
Net change in fund balances	(735,767)	580,013	41,073	934,991	820,310
Fund balances, July 1, 2016, as previously presented	7,597,605	8,374,298	227,906	7,551,414	23,751,223
Prior period adjustment (See Note 2)	-	115,719	-	-	115,719
Fund balances, July 1, 2016, as restated	7,597,605	8,490,017	227,906	7,551,414	23,866,942
Fund balances, June 30, 2017	\$ 6,861,838	\$ 9,070,030	\$ 268,979	\$ 8,486,405	\$ 24,687,252

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

Net change in fund balances - governmental funds	\$ 820,310
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Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays which include principal and interest payments on capital leases as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.

Acquisition of capital assets	1,719,541
Depreciation expense	(2,491,304)

Bond and note proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.

Bond and note principal repayments:	
To bonds and notes holder	2,790,500
Amortization of insurance costs	(1,795)
Amortization of deferred charges	(26,673)
Amortization of premium	41,423
Decrease in accrued interest expense	13,835
Loans disbursed	138,366
Principal received on notes receivable	(321,650)

An internal service fund is used by management to charge the costs of the employee health insurance program. The net revenue of the internal service fund is included in governmental activities.	149,358
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Some expenses reported for governmental activities do not require the use of current financial resources; therefore, they are not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expensed when they are incurred for governmental activities.

Increase in OPEB obligation	(347,422)
Increase in compensated absences, net	(17,304)
Pension expense	<u>1,788,869</u>

Change in net position - governmental activities	<u>\$ 4,256,054</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Taxes:						
Property	\$ 10,691,265	\$ -	\$ 10,691,265	\$10,804,592	\$10,774,592	\$ (83,327)
Sales	9,653,579	-	9,653,579	9,536,571	9,677,000	(23,421)
Wholesale beer	565,729	-	565,729	520,232	565,000	729
Wholesale liquor	290,077	-	290,077	192,833	250,077	40,000
Business	429,203	-	429,203	305,484	405,484	23,719
Cable tv franchise	245,925	-	245,925	209,435	219,435	26,490
Hotel/motel	262,098	-	262,098	240,459	262,098	-
Total taxes	22,137,876	-	22,137,876	21,809,606	22,153,686	(15,810)
Payment in lieu of taxes	582,351	-	582,351	614,000	614,000	(31,649)
Licenses and permits	95,928	-	95,928	91,876	91,875	4,053
Fines and forfeitures	340,979	-	340,979	316,459	336,459	4,520
Intergovernmental:						
State of Tennessee sales tax	1,546,641	-	1,546,641	1,511,055	1,511,055	35,586
State of Tennessee gas tax	517,998	-	517,998	522,340	522,340	(4,342)
State of Tennessee income tax	246,308	-	246,308	250,000	250,000	(3,692)
TVA gross receipts	211,158	-	211,158	219,196	219,196	(8,038)
Mixed drink tax	102,312	-	102,312	77,423	77,423	24,889
Excise tax	123,144	-	123,144	89,663	89,663	33,481
Streets and transportation	37,702	-	37,702	38,243	38,243	(541)
State street contracts	10,580	-	10,580	6,500	6,500	4,080
Supplemental pay	35,400	-	35,400	-	35,400	-
State of Tennessee beer tax	9,007	-	9,007	9,478	9,478	(471)
Telecommunications tax	1,554	-	1,554	264	264	1,290
Total intergovernmental	2,841,804	-	2,841,804	2,724,162	2,759,562	82,242
State and federal grants	31,518	-	31,518	41,184	41,184	(9,666)
Charges for services	420,749	-	420,749	407,402	432,402	(11,653)
Investment income	38,655	-	38,655	25,000	30,000	8,655
Sale of property	2,000	-	2,000	-	-	2,000
Other revenues	290,449	-	290,449	746,550	1,392,001	(1,101,552)
Total revenues	26,782,309	-	26,782,309	26,776,239	27,851,169	(1,068,860)

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	\$ 37,810	\$ -	\$ 37,810	\$ 37,614	\$ 38,400	\$ 590
Payroll Taxes	2,892	-	2,892	2,878	2,892	-
Benefits	31,551	-	31,551	89,855	34,098	2,547
Contract and professional	91,886	-	91,886	132,025	113,225	21,339
Travel and training	6,015	-	6,015	4,950	6,950	935
Supplies	299	-	299	1,200	1,200	901
Telephone and utilities	9,204	-	9,204	9,500	9,500	296
Operating insurance	18,132	-	18,132	11,163	18,142	10
Other	42,105	611	42,716	34,515	45,115	2,399
Total legislative and judicial	239,894	611	240,505	323,700	269,522	29,017
Court system:						
Current:						
Salaries	22,975	-	22,975	21,783	24,449	1,474
Payroll taxes	2,887	-	2,887	2,837	3,309	422
Benefits	4,906	-	4,906	5,480	5,480	574
Contract and professional	16,210	-	16,210	18,080	18,080	1,870
Travel and training	-	-	-	375	375	375
Supplies	437	-	437	440	440	3
Operating insurance	498	-	498	592	592	94
Other	349	-	349	500	500	151
Total court system	48,262	-	48,262	50,087	53,225	4,963
City administrator:						
Current:						
Salaries	144,682	-	144,682	144,610	144,857	175
Payroll taxes	10,893	-	10,893	11,173	11,138	245
Benefits	39,778	-	39,778	45,360	40,360	582
Repairs and maintenance	830	-	830	800	830	-
Travel and training	2,869	-	2,869	3,150	3,150	281
Supplies	266	-	266	250	300	34
Gas and oil	356	-	356	665	665	309
Operating insurance	2,434	-	2,434	2,609	2,579	145
Other	1,106	-	1,106	1,325	1,305	199
Total city administrator	203,214	-	203,214	209,942	205,184	1,970
Finance director:						
Current:						
Salaries	203,869	-	203,869	209,060	208,481	4,612
Payroll taxes	15,068	-	15,068	16,293	16,293	1,225
Benefits	63,396	-	63,396	66,134	64,488	1,092
Telephone and utilities	15,001	-	15,001	17,000	17,000	1,999
Contract and professional	2,430	-	2,430	3,000	3,000	570
Travel and training	4,115	-	4,115	3,000	4,225	110
Supplies	787	-	787	1,425	1,426	639
Operating insurance	3,164	-	3,164	2,978	3,188	24
Other	12,017	-	12,017	24,060	14,060	2,043
Total finance director	319,847	-	319,847	342,950	332,161	12,314

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	\$ 108,587	\$ -	\$ 108,587	\$ 104,318	\$ 109,033	\$ 446
Payroll taxes	7,827	-	7,827	8,115	8,115	288
Benefits	37,474	-	37,474	37,904	37,904	430
Contract and professional	-	-	-	3,300	1,300	1,300
Travel and training	1,109	-	1,109	2,251	2,251	1,142
Supplies	18,070	-	18,070	17,721	19,721	1,651
Operating insurance	1,441	-	1,441	1,381	1,451	10
Other	12,386	-	12,386	30,601	14,782	2,396
Total city recorder	186,894	-	186,894	205,591	194,557	7,663
Human resources:						
Current:						
Salaries	104,577	-	104,577	103,454	104,823	246
Payroll taxes	7,617	-	7,617	8,022	8,022	405
Benefits	36,526	-	36,526	36,519	36,526	-
Telephone and utilities	432	-	432	550	550	118
Contract and professional	16,051	-	16,051	14,650	18,650	2,599
Travel and training	4,148	-	4,148	4,800	4,800	652
Supplies	1,399	-	1,399	1,300	1,650	251
Operating insurance	1,317	-	1,317	1,224	1,324	7
Other	5,519	-	5,519	23,380	9,221	3,702
Total human resources	177,586	-	177,586	193,899	185,566	7,980
Community development:						
Current:						
Salaries	51,655	-	51,655	51,402	51,657	2
Payroll taxes	3,716	-	3,716	3,986	3,986	270
Benefits	18,438	-	18,438	19,055	19,040	602
Telephone and utilities	697	-	697	610	710	13
Travel and training	1,873	-	1,873	3,150	2,850	977
Supplies	116	-	116	200	200	84
Operating insurance	814	-	814	761	836	22
Other	8,741	-	8,741	25,900	15,850	7,109
Total community development	86,050	-	86,050	105,064	95,129	9,079
Planning:						
Current:						
Salaries	175,982	-	175,982	186,692	179,444	3,462
Payroll taxes	12,996	-	12,996	14,498	13,510	514
Benefits	58,620	-	58,620	59,298	59,756	1,136
Contract and professional	802	-	802	4,500	2,150	1,348
Telephone and utilities	5,258	-	5,258	7,500	6,500	1,242
Repairs and maintenance	1,126	-	1,126	6,008	2,998	1,872
Travel and training	4,520	-	4,520	5,000	5,200	680
Supplies	3,424	-	3,424	4,000	4,400	976
Uniforms	1,126	-	1,126	1,000	1,150	24
Gas and oil	1,422	-	1,422	1,500	1,500	78
Operating insurance	7,092	-	7,092	9,471	7,671	579
Other	11,305	-	11,305	12,872	13,682	2,377
Total planning	283,673	-	283,673	312,339	297,961	14,288

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
Municipal building:						
Current:						
Telephone and utilities	\$ 22,948	\$ -	\$ 22,948	\$ 32,276	\$ 23,276	\$ 328
Rent	2,815	-	2,815	2,759	2,815	-
Repairs and maintenance	10,843	-	10,843	19,000	14,000	3,157
Operating insurance	14,343	-	14,343	20,106	15,096	753
Total municipal building	50,949	-	50,949	74,141	55,187	4,238
Total current	1,596,369	611	1,596,980	1,817,713	1,688,492	91,512
Capital outlay	42,500	-	42,500	-	14,167	(28,333)
Total general government	1,638,869	611	1,639,480	1,817,713	1,702,659	63,179
Public safety:						
Police:						
Current:						
Salaries	1,907,514	-	1,907,514	1,908,761	1,924,365	16,851
Payroll taxes	140,299	-	140,299	148,631	148,588	8,289
Benefits	635,935	-	635,935	679,827	644,714	8,779
Contract and professional	681	-	681	600	1,200	519
Telephone and utilities	13,746	-	13,746	19,745	15,745	1,999
Repairs and maintenance	57,963	650	58,613	79,399	64,778	6,165
Travel and training	20,362	-	20,362	19,520	22,720	2,358
Supplies	21,325	-	21,325	28,989	25,561	4,236
Uniforms	15,029	235	15,264	17,200	18,200	2,936
Gas and oil	64,564	-	64,564	77,798	68,798	4,234
Operating insurance	133,720	-	133,720	135,140	135,281	1,561
Other	22,005	-	22,005	21,123	24,115	2,110
Total current	3,033,143	885	3,034,028	3,136,733	3,094,065	60,037
Capital outlay	40,103	-	40,103	49,874	60,374	20,271
Total police	3,073,246	885	3,074,131	3,186,607	3,154,439	80,308
Fire:						
Current:						
Salaries	1,576,487	-	1,576,487	1,528,797	1,589,164	12,677
Payroll taxes	116,015	-	116,015	119,472	119,948	3,933
Benefits	496,496	-	496,496	512,083	497,098	602
Contract and professional	600	-	600	-	600	-
Telephone and utilities	31,100	-	31,100	37,599	31,599	499
Repairs and maintenance	79,938	-	79,938	70,683	81,289	1,351
Rent	142,383	-	142,383	141,939	142,439	56
Travel and training	15,414	-	15,414	15,275	15,525	111
Supplies	34,800	-	34,800	31,752	35,291	491
Uniforms	16,369	-	16,369	21,403	16,383	14
Gas and oil	14,117	-	14,117	16,067	15,367	1,250
Operating insurance	105,138	-	105,138	113,284	105,764	626
Other	7,534	-	7,534	8,600	7,567	33
Total current	2,636,391	-	2,636,391	2,616,954	2,658,034	21,643
Capital outlay	29,764	(9,799)	19,965	20,000	30,000	10,035
Total fire	2,666,155	(9,799)	2,656,356	2,636,954	2,688,034	31,678
Total public safety	5,739,401	(8,914)	5,730,487	5,823,561	5,842,473	111,986

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Public works:						
Current:						
Salaries	\$ 841,938	\$ -	\$ 841,938	\$ 904,288	\$ 857,862	\$ 15,924
Payroll taxes	62,825	-	62,825	70,554	69,589	6,764
Benefits	317,245	-	317,245	349,865	326,323	9,078
Telephone and utilities	38,825	-	38,825	49,332	43,232	4,407
Street lights	474,728	-	474,728	427,500	478,887	4,159
State street aid expenditures	438,642	(594)	438,048	250,000	445,000	6,952
Contract and professional	83,266	(2,100)	81,166	84,630	92,692	11,526
Repairs and maintenance	168,637	-	168,637	179,445	190,136	21,499
Shop labor reimbursement	(70,517)	-	(70,517)	(81,000)	(81,000)	(10,483)
Travel and training	2,538	-	2,538	2,000	2,700	162
Supplies	26,185	(1,221)	24,964	52,879	37,289	12,325
Uniforms	7,656	-	7,656	9,295	8,153	497
Gas and oil	104,167	-	104,167	156,254	123,912	19,745
Parts and supplies	37,301	2,292	39,593	48,000	46,452	6,859
Materials	70,358	(1,500)	68,858	81,774	70,074	1,216
Operating insurance	92,575	-	92,575	86,018	92,736	161
Other	5,148	-	5,148	5,015	6,357	1,209
Total current	2,701,517	(3,123)	2,698,394	2,675,849	2,810,394	112,000
Capital outlay	59,636	-	59,636	28,000	65,000	5,364
Total public works	2,761,153	(3,123)	2,758,030	2,703,849	2,875,394	117,364
Parks and recreation:						
Current:						
Salaries	861,172	-	861,172	882,299	874,288	13,116
Payroll taxes	65,818	-	65,818	70,404	70,372	4,554
Benefits	174,767	-	174,767	190,878	185,178	10,411
Telephone and utilities	209,662	-	209,662	230,219	214,905	5,243
Street lights	11,305	-	11,305	15,662	11,578	273
Contract and professional	83,593	-	83,593	86,815	86,463	2,870
Repairs and maintenance	118,959	3,650	122,609	128,485	126,850	4,241
State street aid	175	-	175	-	200	25
Travel and training	5,232	-	5,232	10,093	5,709	477
Supplies	137,266	-	137,266	105,733	138,925	1,659
Uniforms	4,455	-	4,455	5,050	5,481	1,026
Gas and oil	10,628	-	10,628	11,731	12,074	1,446
Operating insurance	86,288	-	86,288	85,629	87,310	1,022
Other	123,097	-	123,097	90,488	128,140	5,043
Total current	1,892,417	3,650	1,896,067	1,913,486	1,947,473	51,406
Capital outlay	1,895	-	1,895	-	1,895	-
Total parks and recreation	1,894,312	3,650	1,897,962	1,913,486	1,949,368	51,406

(continued)

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Community services:						
Current:						
Telephone and utilities	\$ 31,527	\$ -	\$ 31,527	\$ 32,496	\$ 34,266	\$ 2,739
Repairs and maintenance	-	-	-	-	500	500
Operating insurance	10,315	-	10,315	10,714	10,744	429
Other	1,618	-	1,618	4,168	3,988	2,370
Appropriations	693,230	-	693,230	677,055	697,840	4,610
Total current	736,690	-	736,690	724,433	747,338	10,648
Total community services	736,690	-	736,690	724,433	747,338	10,648
 Total expenditures	 12,770,425	 (7,776)	 12,762,649	 12,983,042	 13,117,232	 354,583
 Excess revenues over (under) expenditures	 14,011,884	 7,776	 14,019,660	 13,793,197	 14,733,937	 (714,277)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	47,551	47,551	(47,551)
Transfers out	(14,747,651)	-	(14,747,651)	(13,840,748)	(14,781,491)	33,840
Total other financing sources (uses)	(14,747,651)	-	(14,747,651)	(13,793,197)	(14,733,940)	(13,711)
 Net change in fund balance	 (735,767)	 7,776	 (727,991)	 -	 (3)	 (727,988)
 Fund balance, July 1, 2016	 7,597,605	 (23,069)	 7,574,536	 7,597,605	 7,597,605	 (23,069)
 Fund balance, June 30, 2017	 \$ 6,861,838	 \$ (15,293)	 \$ 6,846,545	 \$ 7,597,605	 \$ 7,597,602	 \$ (751,057)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
Local shared taxes	\$ 6,106,483	\$ -	\$ 6,106,483	\$ 6,235,283	\$ 6,235,283	\$ (128,800)
Federal and state	16,267,204	-	16,267,204	16,046,942	16,046,942	220,262
Charges for services	311,719	-	311,719	230,000	230,000	81,719
Interest income	22,989	-	22,989	10,000	10,000	12,989
Other	354,727	-	354,727	20,000	20,000	334,727
Total revenues	23,063,122	-	23,063,122	22,542,225	22,542,225	520,897
EXPENDITURES:						
Current:						
Administration:						
Salaries	1,409,918	-	1,409,918	1,407,573	1,407,573	(2,345)
Payroll taxes	161,794	-	161,794	105,092	105,092	(56,702)
Benefits	1,846,980	-	1,846,980	1,855,621	1,855,621	8,641
Contract services	220,101	-	220,101	233,000	233,000	12,899
Travel	21,192	-	21,192	15,000	15,000	(6,192)
Supplies	28,972	-	28,972	31,700	31,700	2,728
Other	92,318	-	92,318	133,900	133,900	41,582
Insurance	305,882	-	305,882	318,800	318,800	12,918
Total administration	4,087,157	-	4,087,157	4,100,686	4,100,686	13,529
Regular education:						
Salaries	11,542,678	-	11,542,678	11,654,427	11,654,427	111,749
Payroll taxes	828,970	-	828,970	889,280	889,280	60,310
Benefits	2,664,437	-	2,664,437	2,715,119	2,715,119	50,682
Travel	45,680	-	45,680	30,000	30,000	(15,680)
Supplies	294,680	-	294,680	248,223	248,223	(46,457)
Books	267,736	-	267,736	280,000	280,000	12,264
Other	68,658	-	68,658	6,200	6,200	(62,458)
Total regular education	15,712,839	-	15,712,839	15,823,249	15,823,249	110,410
Special education:						
Salaries	2,364,497	-	2,364,497	2,460,645	2,460,645	96,148
Payroll taxes	177,463	-	177,463	186,079	186,079	8,616
Benefits	603,714	-	603,714	615,725	615,725	12,011
Contract services	248,472	-	248,472	195,000	195,000	(53,472)
Travel	20,625	-	20,625	12,000	12,000	(8,625)
Supplies	49,427	-	49,427	21,800	21,800	(27,627)
Other	75,330	-	75,330	51,300	51,300	(24,030)
Total special education	3,539,528	-	3,539,528	3,542,549	3,542,549	3,021
Vocational education:						
Salaries	604,905	-	604,905	608,494	608,494	3,589
Payroll taxes	44,507	-	44,507	46,552	46,552	2,045
Benefits	141,912	-	141,912	143,842	143,842	1,930
Travel	5,034	-	5,034	5,000	5,000	(34)
Supplies	15,000	-	15,000	15,000	15,000	-
Other	5,000	-	5,000	5,000	5,000	-
Total vocational education	816,358	-	816,358	823,888	823,888	7,530
Adult education:						
Salaries	18,268	-	18,268	32,602	32,602	14,334
Payroll taxes	1,408	-	1,408	2,504	2,504	1,096
Benefits	607	-	607	607	607	-
Travel	-	-	-	274	274	274
Total adult education	20,283	-	20,283	35,987	35,987	15,704

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Attendance:						
Salaries	\$ 219,082	\$ -	\$ 219,082	\$ 219,350	\$ 219,350	\$ 268
Payroll taxes	16,256	-	16,256	16,781	16,781	525
Benefits	34,215	-	34,215	35,732	35,732	1,517
Travel	9,228	-	9,228	6,500	6,500	(2,728)
Other	3,299	-	3,299	4,000	4,000	701
Total attendance	282,080	-	282,080	282,363	282,363	283
Current:						
Health services:						
Salaries	197,966	-	197,966	194,043	194,043	(3,923)
Payroll taxes	13,993	-	13,993	14,845	14,845	852
Benefits	40,131	-	40,131	39,451	39,451	(680)
Supplies	25,638	-	25,638	30,000	30,000	4,362
Total health services	277,728	-	277,728	278,339	278,339	611
Other student support:						
Salaries	493,570	-	493,570	495,373	495,373	1,803
Payroll taxes	35,867	-	35,867	39,502	39,502	3,635
Benefits	104,743	-	104,743	103,547	103,547	(1,196)
Other	11,296	-	11,296	11,000	11,000	(296)
Total other student support	645,476	-	645,476	649,422	649,422	3,946
Instructional staff:						
Salaries	361,229	-	361,229	362,615	362,615	1,386
Payroll taxes	26,072	-	26,072	27,740	27,740	1,668
Benefits	69,295	-	69,295	68,595	68,595	(700)
Contract services	-	-	-	1,000	1,000	1,000
Books	48,722	-	48,722	50,000	50,000	1,278
Other	4,645	-	4,645	1,500	1,500	(3,145)
Total instructional staff	509,963	-	509,963	511,450	511,450	1,487
Plant operations:						
Salaries	632,671	-	632,671	616,598	616,598	(16,073)
Payroll taxes	45,623	-	45,623	47,170	47,170	1,547
Benefits	152,428	-	152,428	174,135	174,135	21,707
Contract services	516,846	-	516,846	415,000	415,000	(101,846)
Supplies	151,946	-	151,946	150,000	150,000	(1,946)
Utilities	1,087,529	-	1,087,529	1,108,000	1,108,000	20,471
Insurance	78,087	-	78,087	73,388	73,388	(4,699)
Total plant operations	2,665,130	-	2,665,130	2,584,291	2,584,291	(80,839)
Plant maintenance:						
Salaries	407,974	-	407,974	460,409	460,409	52,435
Payroll taxes	29,666	-	29,666	35,221	35,221	5,555
Benefits	68,273	-	68,273	89,479	89,479	21,206
Maintenance and repairs	585,704	-	585,704	510,000	510,000	(75,704)
Other	376	-	376	4,000	4,000	3,624
Total plant maintenance	1,091,993	-	1,091,993	1,099,109	1,099,109	7,116
Transportation:						
Salaries	46,395	-	46,395	57,023	57,023	10,628
Payroll taxes	3,147	-	3,147	4,362	4,362	1,215
Benefits	1,927	-	1,927	3,309	3,309	1,382
Maintenance and repairs	32,219	-	32,219	30,000	30,000	(2,219)
Other	23,634	-	23,634	30,000	30,000	6,366
Insurance	11,316	-	11,316	10,000	10,000	(1,316)
Total transportation	118,638	-	118,638	134,694	134,694	16,056

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Community services:						
Payroll taxes	\$ (128)	\$ -	\$ (128)	\$ -	\$ -	\$ 128
Benefits	(426)	-	(426)	-	-	426
Other	-	-	-	7,000	7,000	7,000
Total community services	(554)	-	(554)	7,000	7,000	7,554
Capital outlay	1,158,806	148,708	1,307,514	1,121,067	1,121,067	(186,447)
Total expenditures	30,925,425	148,708	31,074,133	30,994,094	30,994,094	(80,039)
Excess revenues over (under) expenditures	(7,862,303)	(148,708)	(8,011,011)	(8,451,869)	(8,451,869)	440,858
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	8,442,316	-	8,442,316	8,238,017	8,238,017	204,299
Transfer to other funds	-	-	-	-	-	-
Total other financing sources (uses)	8,442,316	-	8,442,316	8,238,017	8,238,017	204,299
Net change in fund balance	580,013	(148,708)	431,305	(213,852)	(213,852)	645,157
Fund balance, July 1, 2016, as previously presented	8,374,298	(163,559)	8,210,739	8,210,739	8,210,739	-
Prior period adjustment (See Note 2)	115,719	-	115,719	-	-	115,719
Fund balances, July 1, 2016, as restated	8,490,017	(163,559)	8,326,458	8,210,739	8,210,739	115,719
Fund balance, June 30, 2017	<u>\$ 9,070,030</u>	<u>\$ (312,267)</u>	<u>\$ 8,757,763</u>	<u>\$ 7,996,887</u>	<u>\$ 7,996,887</u>	<u>\$ 760,876</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
	<u>Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 450,258
Accounts receivable	<u>29,857</u>
Total current assets	<u>480,115</u>
Total assets	<u>480,115</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	<u>21,525</u>
Total current liabilities	<u>21,525</u>
Total liabilities	<u>21,525</u>
NET POSITION	
Unrestricted	<u>458,590</u>
Total net position	<u><u>\$ 458,590</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Charges for services	\$ 2,185,510
Other operating revenue	<u>52,700</u>
Total operating revenues	<u>2,238,210</u>
OPERATING EXPENSES:	
Medical claims	2,051,139
Contract and professional	35,000
Supplies	<u>4,356</u>
Total operating expenses	<u>2,090,495</u>
OPERATING INCOME	147,715
NONOPERATING REVENUES (EXPENSES):	
Interest income	<u>1,643</u>
Total non-operating revenues (expenses)	<u>1,643</u>
Change in net position	149,358
Total net position, beginning of year	<u>309,232</u>
Total net position, end of year	<u><u>\$ 458,590</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/employees	\$ 2,171,904
Cash received from pharmacy rebate	52,702
Cash paid to suppliers	<u>(2,136,159)</u>
Net cash provided (used) by operating activities	<u>88,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and other income	<u>1,643</u>
Net cash provided in investing activities	<u>1,643</u>
Net increase (decrease) in cash and cash equivalents	90,090
Cash and cash equivalents, beginning of year	<u>360,168</u>
Cash and cash equivalents, end of year	<u><u>\$ 450,258</u></u>
Cash accounts consists of:	
Cash and cash equivalents	<u>\$ 450,258</u>
	<u><u>\$ 450,258</u></u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS</u>	
Operating Income:	\$ 147,715
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Accounts receivable	(13,604)
Increase (decrease) in:	
Accounts payable	<u>(45,664)</u>
Total adjustments	<u>(59,268)</u>
Net cash provided by operating activities	<u><u>\$ 88,447</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2017

	Governmental Type		Proprietary Type		Total Component Units
	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Utilities Authority	
ASSETS:					
Cash and cash equivalents	\$ 104,439	\$ 33,272	\$ 388,451	\$ 14,043,580	\$ 14,569,742
Accounts receivable	-	-	701	3,211,423	3,212,124
Allowance for doubtful accounts	-	-	-	(19,785)	(19,785)
Unbilled revenue	-	-	-	2,426,446	2,426,446
Due from other governments	-	-	51,090	49,093	100,183
Inventory	-	-	25,820	1,618,399	1,644,219
Prepaid expenses	-	675	3,629	-	4,304
Other assets	-	-	5,973	1,156,489	1,162,462
Notes receivable	-	-	-	238,177	238,177
Restricted assets					
Cash and cash equivalents-bond funds	-	-	-	285,846	285,846
Cash and cash equivalents-construction funds	-	-	-	7,523,046	7,523,046
Cash and cash equivalents-other	-	85,783	1,000	-	86,783
Capital assets:					
Utility plant in service	-	-	-	65,445,350	65,445,350
Land	-	-	1,738,799	476,080	2,214,879
Buildings and improvements	-	-	10,271,128	16,258,269	26,529,397
Furniture, machinery, and equipment	-	-	480,525	5,468,607	5,949,132
Construction in progress	-	-	4,119,049	12,315,096	16,434,145
Accumulated depreciation	-	-	(4,626,961)	(52,331,608)	(56,958,569)
Total assets	<u>104,439</u>	<u>119,730</u>	<u>12,459,204</u>	<u>78,164,508</u>	<u>90,847,881</u>
DEFERRED OUTFLOW OF RESOURCES:					
Deferred outflows related to pension	-	-	11,675	-	11,675
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>11,675</u>	<u>-</u>	<u>11,675</u>
LIABILITIES:					
Accounts payable	2,000	113	87,969	6,363,975	6,454,057
Accrued liabilities	-	-	-	640,254	640,254
Other liabilities	-	10,056	6,532	2,232,341	2,248,929
TVA advances	-	-	-	245,464	245,464
Liabilities payable from restricted assets:					
Contracts and retainage	-	-	28,186	74,868	103,054
Long-term liabilities:					
Due within one year	-	-	50,824	1,855,308	1,906,132
Due in more than one year	-	-	108,343	16,128,976	16,237,319
Total liabilities	<u>2,000</u>	<u>10,169</u>	<u>281,854</u>	<u>27,541,186</u>	<u>27,835,209</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred revenue	-	-	20,433	-	20,433
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>20,433</u>	<u>-</u>	<u>20,433</u>
NET POSITION:					
Net investment in capital assets	-	-	11,856,388	31,445,621	43,302,009
Restricted					
Restricted for debt service	-	-	-	285,846	285,846
Restricted for construction	-	-	-	7,448,178	7,448,178
Restricted - other	-	85,783	1,000	-	86,783
Unrestricted	<u>102,439</u>	<u>23,778</u>	<u>311,204</u>	<u>11,443,677</u>	<u>11,881,098</u>
Total net position	<u>\$ 102,439</u>	<u>\$ 109,561</u>	<u>\$ 12,168,592</u>	<u>\$ 50,623,322</u>	<u>\$ 63,003,914</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Type		Proprietary Type		Total Component Units
					Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Utilities Authority	
Industrial Development Board	\$ 64,661	\$ 65,469	\$ 45,000	\$ -	\$ 45,808	\$ -	\$ -	\$ -	\$ 45,808
Area Economic Development Corporation	261,186	-	275,383	-	-	14,197	-	-	14,197
Municipal Airport Authority	1,316,356	110,381	1,612,889	15,000	-	-	421,914	-	421,914
Utilities Authority	42,339,504	43,830,884	-	4,250	-	-	-	1,495,630	1,495,630
Total component units	<u>\$ 43,981,707</u>	<u>\$ 44,006,734</u>	<u>\$ 1,933,272</u>	<u>\$ 19,250</u>	<u>45,808</u>	<u>14,197</u>	<u>421,914</u>	<u>1,495,630</u>	<u>1,977,549</u>
General revenues:									
Unrestricted investment earnings					17	167	1,018	138,348	139,550
Gain on sale of property					-	-	-	22,203	22,203
Sale of fuel and oil					-	-	658,865	-	658,865
Other revenues					250	-	3,931	384,341	388,522
Total general revenues and transfers					267	167	663,814	544,892	1,209,140
Change in net position					46,075	14,364	1,085,728	2,040,522	3,186,689
Net position, beginning					56,364	95,197	11,082,864	48,582,800	59,817,225
Net position, ending					<u>\$ 102,439</u>	<u>\$ 109,561</u>	<u>\$ 12,168,592</u>	<u>\$ 50,623,322</u>	<u>\$ 63,003,914</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tullahoma, Tennessee (the City) was chartered by private act in 1903. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, health and social services, recreation, public improvements, planning and zoning, general administrative, utility services and public education.

A. Reporting Entity

The financial statements of the City present the primary government and its component units. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component unit is reported in a separate column from primary government in the government-wide financial statements to emphasize they are legally separate from the City.

As of June 30, 2017, the City has no blended component units.

The City reports the following discretely presented component units:

Tullahoma Municipal Airport Authority (The Authority) operates and maintains the airport and its related property. The Authority is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

Tullahoma Industrial Development Board (The TIDB) was established in order to promote industry and develop trade for the City and surrounding county government. The TIDB is required to have annual budgets and debt issues approved by the Mayor and Aldermen.

Tullahoma Area Economic Development Corporation (The TAEDC) was established to help Tullahoma capture economic activity. The TAEDC is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

Tullahoma Utilities Authority (The TUA) was formed April 27, 2016, pursuant to Private Chapter No. 54 of the Private Acts, 2016 cited as the Tullahoma Utilities Authority Act and, as such, is a political subdivision of the State of Tennessee. The legislation creating the Authority amended Chapter 553 of the act that established Tullahoma Utilities Board. The Authority was created as a separate legal entity for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric, water, wastewater and telecommunications utility systems within or outside the corporate limits of the City of Tullahoma, Tennessee, and other such utility systems, such as a municipal water, wastewater, telecommunications or electric utility as authorized by the general laws of the State of Tennessee to own or operate. Upon creation of the Authority, the City of Tullahoma was authorized to transfer to the Authority all its rights, title and interest in and to all assets operating for Tullahoma Utilities Board after the Authority refinanced all of its associated debt from revenue and general obligation backing to revenue only. These re-financings occurred in 2017 fiscal year, which caused the Authority to remain a component unit during that transition period. The Authority achieved full independence at the beginning of 2018 fiscal year.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of the component units are available as part of the City of Tullahoma Comprehensive Annual Financial Report and can be obtained from the City of Tullahoma finance office:

P.O. Box 807
201 West Grundy Street
Tullahoma, Tennessee 37388

All discretely presented component units have a June 30 fiscal year-end.

B. Jointly Governed Organizations

Jointly governed organizations are excluded from the financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, due to the City's lack of financial accountability for their operations. The following related agencies provide services within the City:

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission (DRUC), which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six-member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission. Assets of the DRUC are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the DRUC. The DRUC reported net position of \$2,201,394 as of June 30, 2017. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority (The ISWA) was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Bedford, Franklin, Lincoln, Moore, and City of Tullahoma. The purpose of the ISWA is to provide solid waste recycling and disposal services to the City and the four county areas. The ISWA entered into an agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the ISWA. During 2017, these costs amounted to \$602,666 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the ISWA. The ISWA had reported net position of \$537,056 as of June 30, 2017. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Position and Statement of Changes in Net Position) report information on the activities of the Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The **Statement of Net Position** presents the Government's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. The outstanding debt is offset by any unspent proceeds for such debt.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted net position results from restrictions placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net position that does not meet the definition of the two preceding categories.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; non-major funds are combined in a single column.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All material interfund activity has been removed from these statements. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Funds operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Enterprise Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and expenses are recognized when they are incurred.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, except for services provided and used, which are not eliminated in the process of consolidation.

Amounts reported as **program revenues** include 1) charges to customers for goods, services or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Amounts reported as **general revenues** include 1) all taxes, 2) unrestricted revenues for the use of money or property, 3) unrestricted revenues from other governmental agencies, and 4) compensation for loss, sale or damage of property.

Expenses reported by function include **direct expenses** that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government and fiscal administration, include expenses that are in essence **indirect expenses** of other functions. The City has elected not to cost allocate those charges within a fund, but does apportion them to other funds and agencies utilizing the services.

Proprietary funds distinguish **operating** revenues and expenses from **non-operating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which is used to account for all financial resources of the general operations of the Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **General Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt.

Additionally, the Government reports the following fund types:

An **Internal Service Fund** is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis. These services include the medical trust fund used to account for the employee health insurance program.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit having an original maturity date of three months or less.

For purposes of reporting cash flows in the Enterprise Fund, cash and cash equivalents includes designated amounts classified on the balance sheet as "Restricted Assets."

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments – The City is reporting investments at fair value, except for investments with a remaining maturity, at the time of purchase, of one year or less, which are reported on an amortized cost basis. Investments consist of certificates of deposit with original maturity of more than three months.

Inventories and Prepaid Items – Material and supply inventories are valued at cost in governmental funds and the lower of cost or market in the enterprise funds, with cost being determined on an average cost basis. All funds account for inventories using the consumption method. Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Interfund Receivables and Payables and Transactions Between Funds – Short-term amounts owed between funds are classified as “Due to/from other funds.” Legally authorized transfers are included in the results of operations of Governmental Funds.

Restricted Assets – Certain accounts of the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are generally defined as assets with an individual cost in excess of \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is not capitalized on assets acquired with tax-exempt debt.

Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Utility plant in service	7 - 100 years
Buildings and improvements	30 years
Improvements other than buildings	20 years
Furniture, machinery and equipment	5 - 15 years
Infrastructure	17 - 20 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized on the straight-line method over the shorter of the economic useful life of the asset or the remaining lease term.

Appropriations – Appropriations to other funds are accounted for as interfund transfers.

Compensated Absences – City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. After five years of employment, employee sick leave vests at varying percentages up to a maximum of 50% after 10 years of service. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

School Board employees' vacation time must be used in each fiscal year and cannot be carried forward to subsequent fiscal years; therefore, no adjustment has been made for vacation time. For sick time, non-certified personnel, after a minimum of ten years of service with Tullahoma City Schools, will be paid \$25 for each unused accumulated sick day upon termination of employment by resignation or retirement. Sick time for certified personnel is rolled into their retirement time.

Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. The current portion of this debt is estimated based on historical trends.

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Reserves, Designations of Fund Balances – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in the fund financial statements under the following classifications:

Nonspendable fund balance – Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

Restricted fund balance – Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance – Amounts constrained for specific purposes as determined by formal action of the City Board of Mayor and Aldermen, the highest level of decision-making body, by resolution. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the City Board of Mayor and Aldermen removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned fund balance – Amounts are intended to be used by the City but do not meet the criteria of restricted or committed. Intent can be expressed by the Mayor and Board of Aldermen or by an official who has been designated this authority by the City Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned fund balance – In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

Stabilization policy – The City has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources. The City will maintain at least 15% of the next year's budget in the unassigned fund balance to committed fund balance of the general fund. For the current fiscal year, the City did meet the minimum general fund balance policy.

Spending policy – Unless otherwise stated, the fund balances will be spent in the following order:

Restricted
Committed
Assigned
Unassigned

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pensions and pension expense, information about the fiduciary net position of the City Pension Plan and the Tullahoma City Schools Plans and additions/deductions from the plan net positions have been determined on the same basis as they are reported by the plans.

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City reports deferred gains on refunding and deferred contributions on pension plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has the following items that qualify for reporting in this category: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These amounts relate to the unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. The deferred inflows of resources reported in the statement of net position, arise from property tax levied on January 1, 2017, will not be available for collection until fiscal year 2017, beginning October 1, 2017. Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years.

F. Revenues, Expenditures and Expenses

Property Tax – The City’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City’s legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property – Real	40%
Industrial and Commercial Property – Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$2.60 for property located in Coffee and \$2.61 for property located in Franklin Counties per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$10,008,040 for the fiscal year ended June 30, 2017 were approximately 96% of the tax levy.

During March of each tax year, delinquent taxes are turned over to the County for collection.

Estimates – Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Recent Accounting Pronouncements

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City’s financial statements.

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 77, Tax Abatement Disclosures, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The City adopted GASB No. 82 during fiscal year 2017 (See Note 11).

The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, required for fiscal periods beginning after December 15, 2015, in fiscal 2017. This Statement amends the scope and applicability of Statement No. 68 regarding pensions provided to employees of state and local government employers through certain cost-sharing multiple-employees of state and local government employers through certain cost-sharing multiple-employer defined benefit pension. The City adopted GASB No. 78 during fiscal year 2017.

The GASB issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No.67, No.68, and No.73" The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City adopted GASB No. 82 during fiscal year 2017.

GASB Statement No. 85, Omnibus 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits ("OPEB")). The provisions of this statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.

H. Date of Management's Subsequent Review

Management has evaluated subsequent events through February 15, 2018, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. On or before May 1 of each year, all agencies of the City submit requests for appropriations to the City Administrator and Finance Director so that a budget may be prepared and submitted to the Board of Mayor and Aldermen.
- b. Prior to July 1, the budget is legally enacted through passage of an ordinance for the General, Special Revenue and Debt Service Funds of the City. The Board of Education submits its budgets to the City for approval by The Board of Mayor and Aldermen.
- c. The City Administrator and Finance Director are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level.
- d. The Board of Education follows its own policy for budgetary revisions during the year with changes submitted to the Board of Mayor and Aldermen when revised.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- e. Budgets for all funds use the encumbrance method of accounting whereby encumbrances are treated as expenditures in the year of incurrence of the commitment to purchase. The adjustments to convert budget basis excess revenues over expenditures to GAAP represent the net changes in encumbrances outstanding at year end after consideration is given to prior year encumbrances liquidated during the current year. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted and as amended by the Board. Individual amendments are not material in relation to the original appropriations. Capital Projects Funds adopt their budgets on a project length basis; therefore, budgetary comparison statements on an annual basis would not provide meaningful information and are not presented.
- f. All appropriations which are not expended or encumbered lapse at year-end.
- g. The following supplemental budgetary appropriations were enacted by the Board of Mayor and Aldermen during the fiscal year 2017:

General Fund	\$ 134,190
Solid Waste Management Fund	203,255
General Debt Service Fund	16,760
Equipment Replacement Fund	569,235

Encumbrances – Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are classified as restricted, committed or assigned fund balances depending on the governmental fund purpose and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

B. Excess Expenditures

For the year ended June 30, 2017, the following City funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

<u>Budgeted Unit:</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Purpose School Fund:			
Plant maintenance	\$ 2,584,291	\$ 2,665,130	\$ (80,839)
Capital outlay	1,121,067	1,307,514	(186,447)
Total General Purpose School Fund	<u>\$ 3,705,358</u>	<u>\$ 3,972,644</u>	<u>\$ (267,286)</u>

D. Prior Period Adjustment

Adjustments to prior period financial statements were made to correct errors discovered during the audit.

Also, adjustments to Tullahoma Utility Authority net position were made at the time of the equity transfer between Fiber Optic and Electric Systems. In addition, certain assets owned by the Fiber Optic System but used by the Electric System were transferred to the Electric System along with the corresponding debt.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

The City and component units are authorized by policy to invest funds in financial institutions and direct obligations of the Federal Government. During 2017, the City and component units invested funds that are not immediately needed in certificates of deposit, savings accounts, money market accounts, and the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account or in a second bank for the benefit of the City and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

A. Deposits

Custodial Credit Risk: The City's policies limit deposits to those instruments allowed by applicable state laws and described above. As of June 30, 2017, all deposits were fully collateralized.

B. Investments

Credit Risk: The City does not have a formal investment policy; however, management's current investment practice is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool (the Pool) are available daily. The Pool does not have a credit rating.

NOTE 4 - AMOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

A. Accounts receivable

A summary of accounts receivable as of June 30, 2017 is as follows:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	\$ 11,013,665	\$ -	\$ 11,013,665	\$ -
Court receivables	1,030,231	-	1,030,231	-
Customer accounts receivables	-	-	-	3,212,124
Other	103,661	-	103,661	-
	12,147,557	-	12,147,557	3,212,124
Allowance for doubtful accounts	(993,083)	-	(993,083)	(19,785)
	<u>\$ 11,154,474</u>	<u>\$ -</u>	<u>\$ 11,154,474</u>	<u>\$ 3,192,339</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - AMOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS (continued)

B. Due from other governments

A summary of due from other governments as of June 30, 2017 is as follows:

	Governmental Activities	Business-type Activities	Total	Component Units
Due from Federal and State Funds	\$ 983,108	\$ -	\$ 983,108	\$ 43,230
Due from Local Matching Funds	-	-	-	7,860
Other	1,240,286	-	1,240,286	49,093
	<u>\$ 2,223,394</u>	<u>\$ -</u>	<u>\$ 2,223,394</u>	<u>\$ 100,183</u>

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

Capital asset activity for the year ended June 30, 2017 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 3,932,845	\$ 42,500	\$ -	\$ 3,975,345
Construction in process	5,638,893	520,546	(817,700)	5,341,739
Total capital assets, not being depreciated	9,571,738	563,046	(817,700)	9,317,084
Capital assets, being depreciated:				
Buildings and improvements	59,471,268	363,003	-	59,834,271
Furniture, machinery, and equipment	11,385,098	357,736	(310,190)	11,432,644
Infrastructure	20,206,157	1,253,455	-	21,459,612
Total capital assets, being depreciated	91,062,523	1,974,194	(310,190)	92,726,527
Less accumulated depreciation:				
Buildings and improvements	(31,003,810)	(1,377,988)	-	(32,381,798)
Furniture, machinery, and equipment	(8,969,905)	(487,661)	310,190	(9,147,376)
Infrastructure	(14,181,357)	(625,654)	-	(14,807,011)
Total accumulated depreciation	(54,155,072)	(2,491,303)	310,190	(56,336,185)
Total capital assets being depreciated, net	36,907,451	(517,109)	-	36,390,342
Governmental activities capital assets, net	<u>\$ 46,479,189</u>	<u>\$ 45,937</u>	<u>\$ (817,700)</u>	<u>\$ 45,707,426</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS (continued)

Component Units:

Tullahoma Municipal Airport Authority:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 1,738,799	\$ -	\$ -	\$ 1,738,799
Construction in process	2,753,265	1,456,384	(90,600)	4,119,049
Total capital assets, not being depreciated	4,492,064	1,456,384	(90,600)	5,857,848
Capital assets, being depreciated:				
Buildings and improvements	10,032,327	238,801	-	10,271,128
Furniture, machinery, and equipment	478,725	1,800	-	480,525
Total capital assets, being depreciated	10,511,052	240,601	-	10,751,653
Less accumulated depreciation:				
Buildings and improvements	(3,775,956)	(422,164)	-	(4,198,120)
Furniture, machinery, and equipment	(411,487)	(17,354)	-	(428,841)
Total accumulated depreciation	(4,187,443)	(439,518)	-	(4,626,961)
Total capital assets being depreciated, net	6,323,609	(198,917)	-	6,124,692
TAA capital assets, net	<u>\$ 10,815,673</u>	<u>\$ 1,257,467</u>	<u>\$ (90,600)</u>	<u>\$ 11,982,540</u>

Tullahoma Utilities Authority:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 476,080	\$ -	\$ -	\$ 476,080
Construction in process	11,142,792	2,552,055	(1,379,751)	12,315,096
Total capital assets, not being depreciated	11,618,872	2,552,055	(1,379,751)	12,791,176
Capital assets, being depreciated:				
Utility plant in service	66,329,073	8,703,639	(9,587,362)	65,445,350
Buildings and improvements	16,258,269	-	-	16,258,269
Furniture, machinery, and equipment	5,601,978	301,459	(434,830)	5,468,607
Total capital assets, being depreciated	88,189,320	9,005,098	(10,022,192)	87,172,226
Less accumulated depreciation:				
Utility plant in service	(36,251,376)	(2,536,302)	2,971,100	(35,816,578)
Buildings and improvements	(11,626,055)	(443,198)	-	(12,069,253)
Furniture, machinery, and equipment	(4,548,954)	(311,203)	414,380	(4,445,777)
Total accumulated depreciation	(52,426,385)	(3,290,703)	3,385,480	(52,331,608)
Total capital assets being depreciated, net	35,762,935	5,714,395	(6,636,712)	34,840,618
TUA capital assets, net	<u>\$ 47,381,807</u>	<u>\$ 8,266,450</u>	<u>\$ (8,016,463)</u>	<u>\$ 47,631,794</u>
Total Component Units, net	<u>\$ 58,197,480</u>	<u>\$ 9,523,917</u>	<u>\$ (8,107,063)</u>	<u>\$ 59,614,334</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Primary Government:

Governmental activities:

General government	\$ 735,200
Public works	625,654
Education	1,125,928
Food Service	4,521
Total depreciation expense, governmental activities	<u><u>\$ 2,491,303</u></u>

Component Units:

Tullahoma Municipal Airport Authority	\$ 439,518
Tullahoma Utilities Authority	3,290,703
Total depreciation expense, component units	<u><u>\$ 3,730,221</u></u>

Depreciation expense and amounts charged to construction in process for Tullahoma Utilities Authority for the year ended June 30, 2017 of component units were as follows:

<u>Component units:</u>	<u>Total</u>	<u>Charged to Other Accounts</u>	<u>Expense Amount</u>
Tullahoma Utilities Authority			
Electric	\$ 1,169,800	\$ 139,523	\$ 1,030,277
Water	387,132	17,311	369,821
Wastewater	859,272	62,002	797,270
Fiber Optics	874,499	8,741	865,758
	<u><u>\$ 3,290,703</u></u>	<u><u>\$ 227,577</u></u>	<u><u>\$ 3,063,126</u></u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2017 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>General Obligation Bonds:</u>					
General Obligation Refunding Bonds, Series 2006	\$ 9,090,000	\$ -	\$ (35,000)	\$ 9,055,000	\$ 820,000
TMBF City Note, Series 2008	908,000	-	(37,000)	871,000	38,000
TMBF 12M School Note, Series 2008	10,137,000	-	(377,000)	9,760,000	394,000
General Obligation Refunding Bonds, Series 2009	215,000	-	(105,000)	110,000	110,000
General Obligation School Bonds, Series 2010	4,250,000	-	(100,000)	4,150,000	-
General Obligation School Refunding Bonds, Series 2012	3,100,000	-	(1,000,000)	2,100,000	375,000
General Obligation Refunding Bonds, Series 2016	4,585,000	-	(740,000)	3,845,000	765,000
	32,285,000	-	(2,394,000)	29,891,000	2,502,000
Bond premium	154,600	-	(41,425)	113,175	-
Total General Obligation Bonds	32,439,600	-	(2,435,425)	30,004,175	2,502,000
<u>Capital Outlay Notes Payable:</u>					
Capital Outlay Note, Series 2007	101,000	-	(101,000)	-	-
Capital Outlay Note, Series 2013	765,000	-	(67,000)	698,000	69,000
Local Government Loan Program, Series 2013	2,229,000	-	(87,000)	2,142,000	88,000
Capital Outlay Note, Series 2014	476,000	-	(91,000)	385,000	93,000
Local Government Loan Program, Series 2015	2,988,500	-	(50,500)	2,938,000	112,000
Total Capital Outlay Notes Payable	6,559,500	-	(396,500)	6,163,000	362,000
<u>Other Obligations Payable:</u>					
Net OPEB liability - City employees	716,870	129,083	-	845,953	-
Net OPEB liability - School employees	795,805	218,339	-	1,014,144	-
Net pension obligation (TCRS) - City employees	4,032	68,775	-	72,807	-
Net pension obligation (TCRS) - School employees legacy	144,756	2,133,287	-	2,278,043	-
Net pension obligation (TCRS) - School employees retirement	(17,124)	-	(14,331)	(31,455)	-
Net pension obligation (TCSDBP) - School employees	3,750,078	33,433	-	3,783,511	-
Compensated absences	1,273,559	65,980	(48,675)	1,290,864	75,000
Total Other Obligations Payable	6,667,976	2,648,897	(63,006)	9,253,867	75,000
Total Governmental Activities Long-term Liabilities	\$ 45,667,076	\$ 2,648,897	\$ (2,894,931)	\$ 45,421,042	\$ 2,939,000

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

Component Units:

Tullahoma Municipal Airport Authority

	Balance			Balance	Due Within
	July 1, 2016	Additions	Reductions	June 30, 2017	One Year
<u>Notes Payable:</u>					
UDAG Note Payable (11-05-05)	\$ 90,338	\$ -	\$ (26,939)	\$ 63,399	\$ 29,549
UDAG Note Payable (01-04-12)	237	-	(237)	-	-
UDAG Note Payable (10-20-16)	18,160	40,366	(10,287)	48,239	14,334
UDAG Note Payable (03-14-14)	12,793	-	(4,611)	8,182	4,658
UDAG Note Payable (03-06-15)	8,592	-	(2,260)	6,332	2,283
Total Notes Payable	130,120	40,366	(44,334)	126,152	50,824
<u>Other Obligations Payable:</u>					
Net pension liability	207	2,448	-	2,655	-
Compensated absences	20,503	9,857	-	30,360	-
Total Other Obligations Payable	20,710	12,305	-	33,015	-
Total	\$ 150,830	\$ 52,671	\$ (44,334)	\$ 159,167	\$ 50,824

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

Tullahoma Utilities Authority

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u>Bonds Payable:</u>					
Electric Revenue Bonds, Series 2016A (12-22-16)	\$ -	\$ 2,456,766	\$ (514,301)	\$ 1,942,465	\$ 969,402
Electric Revenue Bonds, Series 2016B (12-22-16)	-	7,482,379	-	7,482,379	-
Water and Wastewater Revenue and Tax Bonds, Series 1997	110,000	-	(110,000)	-	-
Water and Wastewater Revenue Bonds, Series 2017 (4-7-17):					
Water System	-	1,215,000	-	1,215,000	337,000
Less: bond discount	-	-	(4,800)	(4,800)	-
Wastewater System	-	387,000	-	387,000	74,000
Less: bond discount	-	-	(3,750)	(3,750)	-
Broadband Revenue and Tax Bonds, Series 2007 (8-1-07)	13,170,000	-	(13,170,000)	-	-
Less: bond discount	(46,647)	46,647	-	-	-
Broadband Revenue Bonds, Series 2016C (12-22-16)	-	743,234	(160,699)	582,535	290,598
Broadband Revenue Bonds, Series 2016D (12-22-16)	-	2,517,621	-	2,517,621	-
Less: bond discount	-	2,118	(44,461)	(42,343)	-
Total Bonds Payable	<u>13,233,353</u>	<u>14,850,765</u>	<u>(14,008,011)</u>	<u>14,076,107</u>	<u>1,671,000</u>
<u>Notes Payable:</u>					
Water System:					
TML Loan 1999	1,368,000	-	(1,368,000)	-	-
Revenue and Tax Capital Outlay Notes, Series 2011	569,000	-	(569,000)	-	-
Total Notes Payable - Water System	<u>1,937,000</u>	<u>-</u>	<u>(1,937,000)</u>	<u>-</u>	<u>-</u>
Wastewater System:					
State Revolving Loan Fund, 94-077	107,493	-	(107,493)	-	-
Revenue and Tax Capital Outlay Notes, Series 2011	444,000	-	(444,000)	-	-
State Revolving Fund Loan CWO 12-297	3,715,898	-	(182,212)	3,533,686	184,308
Total Notes Payable - Wastewater System	<u>4,267,391</u>	<u>-</u>	<u>(733,705)</u>	<u>3,533,686</u>	<u>184,308</u>
<u>Other Obligations Payable:</u>					
Compensated absences	379,672	-	(5,181)	374,491	-
Total Other Obligations Payable	<u>379,672</u>	<u>-</u>	<u>(5,181)</u>	<u>374,491</u>	<u>-</u>
Total	<u>\$ 19,817,416</u>	<u>\$ 14,850,765</u>	<u>\$ (16,683,897)</u>	<u>\$ 17,984,284</u>	<u>\$ 1,855,308</u>
Total Component Units Long-term Liabilities	<u>\$ 19,968,246</u>	<u>\$ 14,903,436</u>	<u>\$ (16,728,231)</u>	<u>\$ 18,143,451</u>	<u>\$ 1,906,132</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

B. Annual Debt Service Requirements

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2017 are as follows:

Primary Government:

Governmental Activities:

	General Obligation Bonds		Notes Payable		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2018	\$ 2,502,000	\$ 1,111,004	\$ 362,000	\$ 180,541	\$ 2,864,000	\$ 1,291,545
2019	2,567,000	1,034,145	369,000	170,389	2,936,000	1,204,534
2020	2,663,000	943,158	376,000	160,042	3,039,000	1,103,200
2021	2,759,000	857,243	383,000	149,502	3,142,000	1,006,745
2022	1,961,000	775,365	288,000	138,775	2,249,000	914,140
2023-2027	9,451,000	2,702,047	1,429,000	562,732	10,880,000	3,264,779
2028-2032	5,828,000	1,197,097	1,168,000	374,220	6,996,000	1,571,317
2033-2037	2,160,000	120,005	1,243,000	194,550	3,403,000	314,555
2038-2040	-	-	545,000	29,280	545,000	29,280
	29,891,000	8,740,064	6,163,000	1,960,031	36,054,000	10,700,095
Bond premium	113,175	-	-	-	113,175	-
	<u>\$ 30,004,175</u>	<u>\$ 8,740,064</u>	<u>\$ 6,163,000</u>	<u>\$ 1,960,031</u>	<u>\$ 36,167,175</u>	<u>\$ 10,700,095</u>

Component Units:

	Revenue Bonds		Notes Payable		Total Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2018	\$ 1,671,000	\$ 259,119	\$ 235,132	\$ 40,656	\$ 1,906,132	\$ 299,775
2019	1,683,000	235,722	236,524	38,083	1,919,524	273,805
2020	1,593,000	211,630	209,051	35,533	1,802,051	247,163
2021	1,369,000	189,416	195,577	33,214	1,564,577	222,630
2022	1,391,000	161,389	192,984	30,996	1,583,984	192,385
2023-2027	6,420,000	402,773	998,904	120,996	7,418,904	523,769
2028-2032	-	-	1,058,004	61,896	1,058,004	61,896
2033-2036	-	-	533,662	7,694	533,662	7,694
	14,127,000	1,460,049	3,659,838	369,068	17,786,838	1,829,117
Bond discount	(50,893)	-	-	-	(50,893)	-
	<u>\$ 14,076,107</u>	<u>\$ 1,460,049</u>	<u>\$ 3,659,838</u>	<u>\$ 369,068</u>	<u>\$ 17,735,945</u>	<u>\$ 1,829,117</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

C. Other Debt Information

Primary Government:

Governmental Activities:

General Obligation Bonds and Capital Outlay notes of the Primary Government are secured by the City, which is obligated to levy taxes to the extent necessary to serve this debt.

Compensated absences and net other postemployment benefit obligation are liquidated in the various funds in which the corresponding salary expenditures are paid, primarily the General Fund and General Purpose School Fund. Net pension obligation will primarily be liquidated by the school funds incurring the related employees' compensation, primarily the General Purpose School Fund.

Component Units:

The Authority's UDAG Loan (11-05-05) has a variable rate, determined each November 1 at four percentage points below prime with a .75% floor. The interest rate at June 30, 2017 was 0.75%. Future principal and interest payments have been calculated using this rate.

As of July 1, 2017, the City is no longer liable for the revenue bonds of the Tullahoma Utilities Authority (formerly Tullahoma Utilities Board). The primary sources of repayment for the bonds are the TUA's operating revenues. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2017. All Authority debt with City general obligation backing was paid in full from new Authority debt issuances in 2017. As of July 1, 2017, TUA is a public authority and not a city-related agency. TUA fully assumed all debt and the city turned over all property titles; therefore, TUA is treated as a component unit for June 30, 2017 year end while that debt was being transitioned.

D. Issuance of Notes

Component Units:

Tullahoma Airport Authority:

In October 2016, TAA modified UDAG Loan (10-20-16) payable to the City of Tullahoma to increase the original principal by \$40,366 and to modify the terms of the repayment. This loan is payable over a 4-year period with interest at the rate of 1%, per annum, payable on unpaid balance, for the first year of this obligation, until November 20, 2017. Upon each annual anniversary date thereafter during the life of this loan, interest shall be adjusted to be 4% below prime rate, but not less than 1%.

Tullahoma Utilities Authority:

In December 2016, the TUA issued \$2,456,766 Electric System Revenue Bonds, Series 2016A with interest rates ranging from 0.48%-1.28%; \$7,482,379 Electric System Revenue Bonds, Series 2016B with an interest rate of 2.04%; \$743,234 Broadband System Revenue Bonds, Series 2016C with interest rates ranging from 0.48%-1.28%; and \$2,517,621 Broadband System Revenue Bonds, Series 2016D with an interest rate of 2.16%, to refinance \$12,310,000 which represents the callable portion of the Broadband Revenue and Tax Bonds, Series 2007. These proceeds were used to purchase certain governmental securities and have been deposited in an irrevocable trust with an escrow agent. As a result of this advance refunding, the 2007 bonds were defeased and the liability for the refunded portion of those bonds has been removed from long-term debt in the fiscal year 2017 financial statements. As of June 30, 2017, the remaining balance of the refunded bonds in escrow was \$12,310,000 with a called date of July 1, 2017.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

This refunding decreases total debt service payments by approximately \$1,372,450 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$40,662.

In April 2017, the TUA issued \$1,602,000 Water and Sewer Revenue Bonds, Series 2017 with an interest rate of 1.89% to refund the TML Loan agreement, Series 1999 (Water System); Water System Revenue and Tax Capital Outlay Notes, Series 2007, and Sewer System Revenue and Tax Capital Outlay Notes, Series 2007. As a result of this advance refunding, approximately \$711,350 of the TML Series 1999; \$480,000 of the Water System Series 2007; and \$375,000 of the Sewer System Series 2007 notes, were defeased and the liability for the refunded portion of those notes has been removed from long-term debt in the fiscal year 2017 financial statements. This refunding decreases total debt service payments by approximately \$48,316 resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of approximately \$7,765.

NOTE 7 - RETIREMENT PLANS

Primary Government:

Governmental Activities:

A. City Plan

(1) Defined Contribution Plan - City

The City offers all employees of the governmental activities (exclusive of employees of the Tullahoma City Schools) a defined contribution plan created in accordance with Internal Revenue Code Section 457B. Participation in the plan is optional for full-time employees with one year of service. The contribution rate for the City shall be set by the Board of Mayor and Aldermen during the budget process. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City.

The City budgeted to contribute 5 percent of full-time employees' base salary for those employees who opted not to join the TCRS plan. For the year ended June 30, 2017, the City contributions to the plan totaled \$128,764 and employee contributions were \$224,484.

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)

General Information about the Pension Plan

Plan description. Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)
(continued)

Benefits provide. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>76</u>
	<u>85</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Tullahoma makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for City were \$215,472 based on a rate of 6.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (continued)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Tullahoma will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)
(continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at June 30, 2015	\$ 61,247	\$ 57,008	\$ 4,239
Changes for the year:			
Service cost	190,576	-	190,576
Interest	18,837	-	18,837
Differences between expected and actual experience	164,914	-	164,914
Contributions-employer	-	162,439	(162,439)
Contributions-employees	-	140,518	(140,518)
Net investment income	-	5,707	(5,707)
Benefit payments, including refunds of employee contributions	(1,325)	(1,325)	
Administrative expense	-	(5,560)	5,560
Other expenses	-	-	-
Net changes	373,002	301,779	71,223
Balance at June 30, 2016	\$ 434,249	\$ 358,787	\$ 75,462

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(5.5%)	(6.5%)	(7.5%)
Net pension liability (asset)	\$ 5,350,245	\$ 4,794,358	\$ 4,273,970

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)
(continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2017, the City recognized pension expense of \$72,262.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 150,277	\$ -
Net difference between projected and actual earnings on pension plan investments	8,395	-
Changes in proportion of Net Pension Liability (Asset)	-	-
Contributions subsequent to the measurement date as of June 30, 2016	215,472	-
Total	<u>\$ 374,144</u>	<u>\$ -</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 17,185
2019	17,185
2020	17,185
2021	16,969
2022	15,031
Thereafter	75,117

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)
(continued)

Allocation of Pension Related Activity

The pension related activity has been allocated to the governmental activities and respective component units activities by use of an allocation ratio of the fiscal year 2016 pension contributions. A summary of the pension related activity follows:

	Governmental Activities	Component Units	Total
Net Pension Liability	\$ 72,807	\$ 2,655	\$ 75,462
Deferred outflows of Resources	362,469	11,675	374,144

B. Tullahoma Board of Education

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description:

All of the Tullahoma City Schools' (the City Schools) employees, except teachers, participate in the Tullahoma City Schools Defined Benefit Plan (TCSDBP).

Plan assets are invested in annuity contracts with the Principal Financial Group. Separate financial statements of the single-employee pension trust have not been presented as part of these financial statements. That report may be obtained by writing to the Principal Financial Group, 711 West High, Des Moines, IA 50392.

There are no nonemployer contributing entities, as defined by GASB Statement No. 68, for this plan.

There are no special funding situations, as defined by GASB Statement No. 68, for this plan.

Plan Administration

The plan is administrated by the Plan Trustees named by the Tullahoma Board of Education. The Trustees consist of the Chairman of the Board, the Superintendent, and the Director of Personnel.

Plan membership

Measurement Period Ending	December 31, 2016
Fiscal Year Ending	June 30, 2017
Active plan members	92
Inactive plan members entitled to but not yet receiving benefits	36
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	14
Total	142

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Benefits provided

Participants must complete 1,000 hours of service and be at least age 18 to be eligible to join the plan.

Normal retirement occurs upon reaching age 65 and completing one year of service. Monthly benefits are equal to 2.3% of average compensation times accrual service. Average compensation is the average of monthly compensation for the 60 highest consecutive compensation dates. In accordance with federal regulations, participants are always fully vested upon reaching their normal retirement date.

Early retirement is available upon reaching age 55 and completing 5 years of vesting service (measured by plan participation). Monthly benefits are calculated using the accrued benefit on retirement date and an actuarially determined reduction factor.

Death benefits are available to participants that are fully or partially vested in an accrued benefit. For a participant age 55 or older, the single-sum death benefit will be equal to the present value of his vested accrued benefit but not less than his required contribution account. If a participant dies prior to age 55, the single-sum death benefit will be equal to his required contribution account. Required contribution accrued benefit is defined as the amount of a participants required contribution account converted to a monthly straight life benefit using UP-1984 mortality without age setback and interest of 5%. Required contribution account is defined as a participant's required contributions with 5% interest per annum compounded annually.

The amount of disability benefits is defined as a monthly pension payable at normal retirement equal to the participant's accrued monthly pension. A participant must have completed 10 years of service at the date of disability in order to be eligible for disability benefits.

Any employee who terminates after completion of at least 5 years of service and before eligibility for normal retirement or early retirement shall be entitled to the normal retirement benefit, multiplied by the vesting percentage, with income deferred until normal retirement age. A year of vesting shall be credited for each year during which the employee is credited with 1,000 hours of service.

There have been no changes in plan provisions during the measurement period.

There have been no changes in plan provisions between the December 31, 2016 measurement date and the fiscal year end June 30, 2017.

Contributions

Contributions for employees are established in the statutes governing the Plan and may only be changed by the Plan Trustees. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. Employees are currently required to contribute 3.00% of salary. The actuarially determined employer contribution for the measurement period ending December 31, 2016 is \$601,116 and the expected employee contributions are \$79,006. The actuarially determined employer contribution for the upcoming measurement period ending December 31, 2017 is \$611,128 and the expected employee contributions are \$81,902. The employer contribution for the fiscal year ending June 30, 2017 is \$682,760 and the expected employee contributions are \$80,557.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Net Pension Liability (Assets)

Net pension liability (assets) was measured as of December 31, 2015, and the total pension liability used to calculate net pension liability (assets) was determined by an actuarial valuation as of that date.

Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earning between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected services.

Measurement Date

A measurement period of January 1, 2016 to December 31, 2016 has been used for the fiscal year ending June 30, 2017 for GASB 68 reporting. The net pension liability reported for fiscal year end of June 30, 2017 was measured as of December 31, 2016, using the total pension liability that was determined by an actuarial valuation as of December 31, 2016.

Actuarial assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% increase per year
Wage Base Increases	3.00% per year Real wage growth combined with inflation assumption indicates an economic assumption of social security national wage growth in pension plan valuations. Based on historical real growth in National Average Wages (from 1951) and Social Security estimate of around 1%, our best estimate places this assumption in the range of 0.75% to 1.25% above inflation.
Long-Term Rate of Return on Plan Assets	6.50% The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of board asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Mortality

Rates: Total mortality rates from RP-2006 (baseline table from SOA RP-2014 study based on experience data for private pension plans).
Mortality Improvement: RPEC_2014_v2011 model with following assumptions:
a) Convergence period of 10-years
b) Long-term mortality improvement is the sex-distinct and the age-based assumption calibrated to the annual improvement averages, for the period 2010-2088 published in the Social Security Administration (SSA) Trustees report for 2014.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

The expected long-term rate of return assumption as of December 31, 2016 is 6.25%. The actual weighted average asset allocation for the four quarterly dates from March 31, 2016 to December 31, 2016 is used as an approximation of the plan's target asset allocation over the upcoming period, and is shown below:

Asset Class	Expected Arithmetic Return	Expected Geometric Return	Target Allocation
US Equity - Large Cap	7.85%	6.50%	28.42%
US Equity - Mid Cap	8.10%	6.50%	3.28%
US Equity - Small Cap	8.55%	6.50%	1.69%
Non-US Equity	8.10%	6.50%	10.65%
REITs	7.95%	6.10%	0.41%
Real Estate (direct property)	5.80%	5.50%	6.14%
TIPS	3.05%	2.85%	0.62%
Core Bond	3.75%	3.60%	35.97%
High Yield	6.70%	6.30%	12.82%
			<hr/> 100.00%
Exp LTROA (arithmetic mean)			6.12%
Portfolio Standard Deviation			8.76%
40th percentile			5.15%
45th percentile			5.46%
Expected Compound Return			5.76%
55th percentile			6.06%
60th percentile			6.37%
Equity/Fixed Income/Other			44% / 49% / 7%

Basis used to determine expected long-term return on plan assets

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2016. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2016 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Capital market modeling assumptions

The Capital Market Assumptions used in our model were developed focusing on forward-looking market indicators and valuation models, as well as utilizing the analysis of historical data and trends, the outlook and forecasts from credible economic studies, and investment expert opinions.

Discount rate

The discount rate used to determine the end of period Total Pension Liability is 6.25%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2016 to 2072. Benefit payments after 2072 are projected to be \$0.

The long-term rate of return of 6.25% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.09% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2016 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Changes in the Net Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at January 1, 2016	\$ 8,537,619	\$ 4,787,541	\$ 3,750,078
Changes for the year, increase/(decrease):			
Service cost	280,858	-	280,858
Interest	556,830	-	556,830
Benefit payments	(708,979)	(708,979)	-
Differences between expected and actual experience	256,050	-	256,050
Changes in assumptions	65,717	-	65,717
Changes in benefit terms	-	-	-
Contributions-employees	-	85,936	(85,936)
Contributions-employer	-	765,935	(765,935)
Contributions-other	-	-	-
Net investment income	-	310,101	(310,101)
Administrative expense	-	(35,950)	35,950
Other expenses	-	-	-
Net changes	<u>450,476</u>	<u>417,043</u>	<u>33,433</u>
Balance at December 31, 2016	<u><u>\$ 8,988,095</u></u>	<u><u>\$ 5,204,584</u></u>	<u><u>\$ 3,783,511</u></u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Tullahoma City Schools calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(5.25%)	(6.25%)	(7.25%)
Net pension liability (asset)	\$ 4,251,158	\$ 3,783,511	\$ 3,345,199

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

The pension expense for the fiscal year ended June 30, 2017 is \$(84,358).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 287,658	\$ 107,897
Effects of changes in assumptions	572,075	12,158
Net difference between projected and actual earnings on pension plan investments	254,027	-
Contributions subsequent to the measurement date as of December 31, 2016	1,070,360	-
Total	<u>\$ 2,184,120</u>	<u>\$ 120,055</u>

The amount shown above for “Contributions subsequent to the measurement date as of December 31, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 259,023
2019	259,025
2020	246,542
2021	173,113
2022	56,002
Thereafter	-

Payable to the Pension Plan

At June 30, 2017, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCSDBP) required at the year ended June 30, 2017.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Teacher Legacy Pension Plan of TCRS

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the System are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$1,233,751, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Teacher Legacy Pension Plan of TCRS (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2017, the System reported a liability of \$2,278,043 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability was based on System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 the System's proportion was 0.364519 percent. The proportion measured as of June 30, 2015 was 0.353380 percent.

Pension expense. For the year ended June 30, 2017, Tullahoma City Schools recognized negative pension expense of \$258,411.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,868	\$ 2,757,955
Net difference between projected and actual earnings on pension plan investments	2,543,465	-
Changes in proportion of Net Pension Liability (Asset)	84,489	107,808
Contributions subsequent to the measurement date as of June 30, 2016	1,233,751	-
Total	<u>\$ 3,957,573</u>	<u>\$ 2,865,763</u>

Tullahoma City Schools employer contributions of \$1,233,751, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (436,313)
2019	(436,313)
2020	783,786
2021	109,725
2022	(162,826)
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Teacher Legacy Pension Plan of TCRS (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost -of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr/> 100%

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Teacher Legacy Pension Plan of TCRS (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Tullahoma City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Tullahoma City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$12,509,123	\$ 2,278,043	\$ (6,196,923)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2017, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCRS) required at the year ended June 30, 2017.

(3) Teacher Retirement Plan of TCRS

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the System are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(3) Teacher Retirement Plan of TCRS (continued)

The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year.

The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2017 to the Teacher Retirement Plan were \$67,655, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(3) Teacher Retirement Plan of TCRS (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2017, the System reported an asset of \$31,455 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The System's proportion of the net pension asset was based on System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 the System's proportion was 0.302149 percent. The proportion measured as of June 30, 2015 was 0.416862 percent.

Pension expense. For the year ended June 30, 2017, the System recognized pension expense of \$26,603.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,048	\$ 3,627
Net difference between projected and actual earnings on pension plan investments	5,150	-
Changes in proportion of Net Pension Liability (Asset)	3,218	-
Contributions subsequent to the measurement date as of June 30, 2016	67,655	-
Total	<u>\$ 79,071</u>	<u>\$ 3,627</u>

Tullahoma City Schools employer contributions of \$67,655, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 1,541
2019	1,541
2020	1,541
2021	1,296
2022	192
Thereafter	1,678

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(3) Teacher Retirement Plan of TCRS (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost -of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr/> 100%

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(3) Teacher Retirement Plan of TCRS (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents the System's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the System's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 14,853	\$ (31,455)	\$ (65,574)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2017, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCRS) required at the year ended June 30, 2017.

(4) State of Tennessee Defined Contribution Plan

All teachers hired on or after July 1, 2014 are required to participate in a separately managed defined contribution plan referred to as the State of Tennessee 401(k) Deferred Compensation Program in addition to the multiple-employer defined benefit pension plan administered by TCRS. This plan is administered by Great West Life & Annuity Insurance Company. Investment decisions on contributions to the plan are controlled by the teacher participant. Teachers are immediately 100% vested in the plan. An employer contribution equal to 5% of the teacher's compensation is made by System. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2%. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. For the year ended June 30, 2017, the System contributions to the plan totaled \$84,569 and employee contributions were \$36,420.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - RETIREMENT PLANS (continued)

Component Units:

The Tullahoma Utilities Authority has a defined contribution plan "Tullahoma Utilities Authority Employees' Pension Trust" covering all of its eligible employees. The TUA is the plan's administrator. The TUA has the right to amend or terminate the plan at any time. This plan includes all full-time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2017 is as follows:

	<u>Target plan</u>	<u>Money Purchase plan</u>
Employee contribution	\$ 49,763	\$ 205,033
Employer contribution	349,999	481,410
Total plan assets as of June 30, 2017	6,758,135	5,225,652

Employee contributions to the plan are required annually in accordance with the plan document. Participating employees must contribute a minimum of 5% of their compensation not to exceed 50% of the total required contribution.

The payroll for employees covered under the plan for the year ended June 30, 2017 was \$4,499,197. Total payroll was \$4,669,935.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Primary Government:

Governmental Activities:

A. City Plan

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and allows the retired employees to purchase coverage for their dependents. There are currently only 6 employees that receive post employment benefits. Benefits for the year ended June 30, 2017 totaled \$31,551. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

The City intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB Statement No. 45. The General Fund has been used to liquidate the OPEB obligation in prior years.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period of not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Components of the Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 143,108	19.97%	\$ 301,626
6/30/2013	149,755	21.12%	419,759
6/30/2014	154,296	31.82%	524,964
6/30/2015	160,634	50.58%	599,995
6/30/2016	160,634	27.24%	716,870
6/30/2017	160,634	19.64%	845,953
Annual required contribution (ARC)			\$ 169,240
Interest on net OPEB obligation			23,623
Net OPEB obligation amortization adjustment to the ARC			(32,229)
Annual OPEB cost			160,634
Contributions made			(31,551)
Increase in net OPEB obligation			<u>\$ 129,083</u>
Net OPEB obligation - July 1, 2016			\$ 716,870
Net OPEB obligation - June 30, 2017			\$ 845,953

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012-2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 143,108	19.97%	\$ 301,626
6/30/13	149,755	21.12%	419,759
6/30/14	154,296	31.82%	524,964
6/30/15	160,634	50.58%	599,995
6/30/16	160,634	27.24%	716,870
6/30/17	160,634	19.64%	845,953

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,536,349, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,536,349. The covered payroll (annual payroll of active employees covered by the plan) was \$5,049,574 and the ratio of the UAAL to the covered payroll was 30.43%.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit with liner proration to decrements actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date. Healthcare cost trend rates have been reset to an initial rate of 9% decreasing by 0.5% annually to an ultimate rate of 5% after 8 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level dollar of pay over thirty years on an open group.

B. Tullahoma Board of Education

Certified employees of Tullahoma City Schools belonging to the Tennessee Consolidated Retirement System, who have a minimum of ten years of experience with the City Schools in a certified position, who retire with at least 30 years of creditable service, or who retire having reached the age of 60 years with a minimum of ten years of creditable service prior to the beginning of the next contract year, may elect to continue in the City Schools' medical, dental, and life insurance programs. The ten-year minimum employment for certified employees will be waived for certified staff employed prior to the 1999-2000 school year. Non-certified employees of the City Schools who are age 62 with at least 25 years of service in the City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the City Schools' medical, dental, and life insurance programs. The City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65.

The retiring employees may have the same options for the insurance package as current employees, and the City Schools will assume the same percentage of costs for the package as for the current employees. The City Schools currently pays 100% of premiums. For the year ended June 30, 2017, the City Schools paid medical insurance benefits for 28 eligible retirees totaling \$94,319, dental for 28 eligible retirees totaling \$9,823, vision and life insurance benefits for 21 and 28 eligible retirees totaling \$1,901 and \$2,736, respectively. The General Purpose School Fund has been used to liquidate the OPEB obligation in prior years.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Non-certified employees of Tullahoma City Schools who are age 60 with at least 25 years of service in Tullahoma City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the Tullahoma City Schools medical, dental, and life insurance programs. Tullahoma City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65. The retiring employee may have the same options for the insurance package, and the City Schools will assume the same percentage of costs for the package as for the current employees. A written agreement delineating the conditions will be required between the retiring employee and Tullahoma City Schools.

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution (ARC)	\$ 339,099
Interest on net OPEB obligation	35,811
Net OPEB obligation amortization adjustment to the ARC	<u>(47,792)</u>
Annual OPEB cost	327,118
Contributions made	<u>(108,779)</u>
Increase in net OPEB obligation	<u><u>\$ 218,339</u></u>
Net OPEB obligation - July 1, 2016	\$ 795,805
Net OPEB obligation - June 30, 2017	\$1,014,144

The Tullahoma City Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012-2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 11,143	51.58%	\$ 10,268
6/30/13	447,823	46.24%	251,035
6/30/14	447,978	55.52%	450,330
6/30/15	341,887	54.57%	605,633
6/30/16	341,887	44.38%	795,805
6/30/17	327,118	33.25%	1,014,144

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,189,591, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,189,591. The covered payroll (annual payroll of active employees covered by the plan) was \$18,531,816 and the ratio of the UAAL to the covered payroll was 17.21%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date. Healthcare cost trend graded 7.50% in FY2017 to level 5.00% in FY2022 and later for medical and level 5.00% for dental. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period for 30 years.

Component Units:

The Tullahoma Utilities Authority does not provide any post-retirement benefits. As part of the retirement benefits the TUA adopted a plan in the current year whereas the employee receives 25% of their accumulated sick leave with the amount being paid into their pension fund. In addition, those employees that have 10 years or more service and retire between age 62 and 65 receive the amount equal to the "employee only" monthly health insurance premium for every whole month of early retirement separation prior to reaching age 65. No early retirement separation will be paid to employees who retire prior to age 62.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Federal and State Financial Assistance

The City has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, the City believes that any required reimbursements would not be material to the basic financial and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

B. Other Commitments

Primary Government:

Governmental Activities:

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired and a liability has been incurred and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Component Unit:

Tullahoma Municipal Airport Authority

The authority has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the programs, management believes that any required reimbursements would not be material to the financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

The Authority also has several construction projects in progress partially funded by grants.

Tullahoma Utilities Authority

In conjunction with the Tennessee Valley Authority, the Electric System makes loans to individuals wishing to make their homes more energy efficient. The Electric System is required to use the funds, including repayments, in making further loans, or to reduce the advances to the Electric System by TVA.

At June 30, 2017, TUA had several construction projects in process. The TUA takes bids for these projects and awards construction contracts to various companies.

The TUA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The TUA purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - INTERFUND TRANSACTIONS

Transfers are used (1) to move revenue from the Education Debt Service Fund to the General Debt Service Fund as debt service principal and interest payments become due, (2) to move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 – INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2017 consist of the following:

Transferred To	Transferred From		
	General Fund	Non-major Governmental Funds	Total
General Purpose School	\$ 8,442,316	\$ -	\$ 8,442,316
General Debt Service	1,375,343	2,411,188	3,786,531
Non-major Governmental Funds	4,929,992	140,000	5,069,992
Total	<u>\$ 14,747,651</u>	<u>\$ 2,551,188</u>	<u>\$ 17,298,839</u>

Interfund receivables and payables and amounts due to and due from funds of the primary government and component units at June 30, 2017 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. The City intends to repay all interfund liabilities within the next fiscal year. Balances at June 30, 2017 are as follows:

Primary Government:

Due To	Due From		
	<i>Governmental Activities</i>		
	General Fund	Non-major Governmental Funds	Total
<i>Governmental Activities:</i>			
General Purpose School	\$ 344,421	\$ 301,000	\$ 645,421
Non-major Governmental Funds	148,852	-	148,852
	<u>\$ 493,273</u>	<u>\$ 301,000</u>	<u>\$ 794,273</u>

Component Units:

Due To	Due From			
	Tullahoma Utilities Authority			
	Fiber System	Water System	Wastewater System	Total
Tullahoma Utilities Authority				
Electric System	\$ 1,071,063	\$ 5,808	\$ 10,338	\$ 1,087,209
Water System	215	-	1,151	1,366
Fiber System	-	62	39	101
Wastewater System	752	1,487	-	2,239
Total	<u>\$ 1,072,030</u>	<u>\$ 7,357</u>	<u>\$ 11,528</u>	<u>\$ 1,090,915</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - TAX ABATEMENTS

The City of Tullahoma has issued tax abatements in the form of payment in lieu of tax agreements (PILOT) and Tax Increment Financing (TIF) managed through both its component units and by agreement with the Coffee County Industrial Board. None of the agreements contain claw back or recapture provisions based on performance goals.

The Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) were both established under Tennessee Code Annotated Section 7-53-305, a provision of the Tennessee Industrial Development Corporations Act. In 2005, the City of Tullahoma transferred all industrial recruitment efforts to the Coffee County Industrial Development Board, with the TIDB maintained solely for the purpose of servicing existing contractual agreements and PILOTs. The City of Tullahoma has four legacy PILOT agreements through the TIDB and one through the Coffee County Industrial Development Board.

The City created the TAEDC to promote economic development, more specifically in the aviation/aerospace, medical, technology, and retail sectors. Through the TAEDC, the City has one TIF, which was approved in 2014, with a 20 year term approved by the City of Tullahoma and a 10 year term approved by Coffee County. The total principal construction financed through the TF is limited to \$1,834,500. For FY2017, the 2016 the City TIF was \$48,193, with \$50,222 estimated for 2017, then \$66,917 for 2018 taxes, and \$74,592 for each subsequent year through 2035.

The Health, Educational and Housing Facility Board of the City of Tullahoma was established by resolution in April, 2012, and delegated the power to enter into payment in lieu of tax agreements pursuant to Tennessee Code Annotated section 48-101-312. This board approved one PILOT for the construction and operation of a skilled nursing facility in the City of Tullahoma. The PILOT provides for a graduated property tax payment schedule phased in over a six year period. For 2016, the improvements were taxed at 25% or \$26,581, with 2017 at 50% or \$53,112. Taxes for 2018 are scheduled at 75%, with 2019 and subsequent years back to 100%. Total property tax abated for the term are estimated to be \$265,510, offset by jobs and sales tax created in addition to the facilities direct service to the citizens of Tullahoma and the surrounding area.

City of Tullahoma Tax Abatements

	<u>PILOT</u>	<u>TIF</u>	<u>Total</u>
2017	\$ 135,228	\$ 48,193	\$ 183,421
2018	70,286	50,222	120,508
2019	43,705	66,917	110,622
2020	11,903	74,952	86,855
2021	11,903	74,952	86,855
2022	11,903	74,952	86,855
2023-2035	<u>-</u>	<u>974,376</u>	<u>974,376</u>
Toatl Taxes Abated	<u>\$ 284,928</u>	<u>\$ 1,364,564</u>	<u>\$ 1,649,492</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

City of Tullahoma Pension Plan
Unaudited - See Accompanying Accountants' Report

	2015	2016
Total pension liability		
Service cost	\$ 56,571	\$ 190,576
Interest	4,243	18,837
Changes in benefit terms	-	-
Differences between actual and expected experience	433	164,914
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	-	(1,325)
Net change in total pension liability	<u>61,247</u>	<u>373,002</u>
Total pension liability, beginning of period	<u>-</u>	<u>61,247</u>
Total pension liability, end of period (a)	<u><u>\$ 61,247</u></u>	<u><u>\$ 434,249</u></u>
 Fiduciary net position		
contributions-employer	\$ 26,239	\$ 162,439
contributions-employee	30,332	140,518
Net investment income	1,002	5,707
Benefit payments, including refunds of employee contributions	-	(1,325)
Administrative expenses	(565)	(5,560)
Other	-	-
Net change in fiduciary net position	<u>57,008</u>	<u>301,779</u>
 Fiduciary net position, beginning of period	<u>-</u>	<u>57,008</u>
Fiduciary net position, end of period (b)	<u><u>\$ 57,008</u></u>	<u><u>\$ 358,787</u></u>
 Net Pension Liability, (a) – (b)	<u><u>\$ 4,239</u></u>	<u><u>\$ 75,462</u></u>
 Fiduciary net position as a percentage of total pension liability	93.08%	82.62%
 Covered payroll	\$ 524,775	\$ 2,810,358
 Net pension liability (asset) as a percentage of covered payroll	0.81%	2.69%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
City of Tullahoma Pension Plan
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	2015	2016	2017
Actuarially determined contribution	\$ 30,332	\$ 162,439	\$ 215,472
Contribution in relation to the actuarially determined contribution	30,332	162,439	215,472
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 524,775	\$ 2,810,358	\$ 3,485,804
Contributions as a percentage covered payroll	5.78%	5.78%	6.18%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

NOTES TO SCHEDULE

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Tullahoma City Schools Defined Benefit Plan (TCSDBP)
Unaudited - See Accompanying Accountants' Report

Measurement Period Ending Fiscal year end	12/31/2014 6/30/2015	12/31/2015 6/30/2016	12/31/2016 6/30/2017
Total pension liability			
Service cost	\$ 282,987	\$ 350,647	\$ 280,858
Interest	538,503	620,656	556,830
Benefit payments	(391,229)	(557,590)	(708,979)
Differences between actual and expected experience	130,781	(158,673)	256,050
Change of assumptions	893,733	(17,880)	65,717
Changes in benefit terms	-	(1,049,740)	-
Net change in total pension liability	1,454,775	(812,580)	450,476
Total pension liability, beginning of period	7,895,424	9,350,199	8,537,619
Total pension liability, end of period (a)	\$ 9,350,199	\$ 8,537,619	\$ 8,988,095
Fiduciary net position			
Employee contributions	\$ 90,214	\$ 81,523	\$ 85,936
Employer contributions	529,211	801,523	765,935
Other contributions	-	-	-
Net investment income	228,690	(54,575)	310,101
Benefit payments	(391,229)	(557,590)	(708,979)
Administrative expenses	(33,601)	(39,181)	(35,950)
Other expenses	-	-	-
Other deductions	-	-	-
Net change in fiduciary net position	423,285	231,700	417,043
Fiduciary net position, beginning of period	4,132,556	4,555,841	4,787,541
Fiduciary net position, end of period (b)	\$ 4,555,841	\$ 4,787,541	\$ 5,204,584
Net Pension Liability (asset), (a) – (b)	\$ 4,794,358	\$ 3,750,078	\$ 3,783,511
End of period assumptions			
Long-term rate of return	6.50%	6.50%	6.25%
Discount rate	6.50%	6.50%	6.25%
Salary increase assumption	3.00%	3.00%	3.00%
Retirement age assumption	NRA	NRA	NRA
Plan changes	none	Future benefit accruals 1.5% of avg comp	none
Fiduciary net position as a percentage of total pension liability	48.72%	56.08%	57.91%
Covered payroll	\$ 2,738,273	\$ 2,639,666	\$ 2,770,106
Net pension liability (asset) as a percentage of covered payroll	175.09%	142.07%	136.58%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
Tulahoma City Schools Defined Benefit Plan (TCSDBP)
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 603,719	\$ 674,190	\$ 682,760	\$ 1,309,358
Contributions received by the plan	<u>680,909</u>	<u>554,818</u>	<u>803,290</u>	<u>1,309,358</u>
Contribution deficiency/(excess)	<u>\$ (77,190)</u>	<u>\$ 119,372</u>	<u>\$ (120,530)</u>	<u>\$ -</u>
 Covered payroll	 \$ 2,530,326	 \$ 2,753,902	 \$ 2,787,440	 \$ 2,811,931
 Contributions received as a percentage of covered payroll	 26.91%	 20.15%	 28.82%	 46.56%
ADC assumptions				
Long-term rate of return on assets	6.50%	6.50%	6.50%	6.25%
Interest rate	6.50%	6.50%	6.50%	6.25%
Salary increase assumption	3.00%	3.00%	3.00%	3.00%
COLA increase assumption	0.00%	0.00%	0.00%	0.00%
Retirement age assumption	NRA	NRA	NRA	NRA
		Future benefit accruals		
		1.5% of avg		
Plan changes	none	comp	none	none

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
Tullahoma City Schools Defined Benefit Plan (TCSDBP)
Unaudited - See Accompanying Accountants' Report

Measurement Period Ending	12/31/2014	12/31/2015
Fiscal Year Ending	6/30/2015	6/30/2016
Annual money-weighted rate of return on plan investments, net of investment expense	5.30%	-1.13%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68* . The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Teacher Legacy Pension Plan of the TCRS
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.354096%	0.353380%	0.364519%
Proportionate share of the net pension liability (asset)	\$ (57,539)	\$ 144,756	\$ 2,278,043
Covered payroll	\$ 13,898,232	\$ 13,228,797	\$ 13,158,438
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68* . The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
Teacher Legacy Pension Plan of TCRS
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required	\$ 1,234,163	\$ 1,195,881	\$ 1,189,520	\$ 1,233,751
Contributions in relation to the contractually required contribution	<u>1,234,163</u>	<u>1,195,881</u>	<u>1,189,520</u>	<u>1,233,751</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,898,232	\$ 13,228,797	\$ 13,158,438	\$ 13,647,686
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Teacher Retirement Plan of TCRS
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.425648%	0.302149%
Proportionate share of the net pension liability (asset)	\$ (17,124)	\$ (31,455)
Covered payroll	\$ 884,387	\$ 1,329,474
Proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
Teacher Retirement Plan of TCRS
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 22,110	\$ 33,279	\$ 67,655
Contributions in relation to the contractually required contribution	<u>35,375</u>	<u>53,179</u>	<u>67,655</u>
Contribution deficiency (excess)	<u><u>\$ (13,265)</u></u>	<u><u>\$ (19,900)</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 884,387	\$ 1,329,474	\$ 1,691,378
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68* . The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - City of Tullahoma Other Post Employment Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ -	\$ 1,453,099	\$ 1,453,099	0%	\$ 4,657,403	31.20%
07/01/10	-	1,353,250	1,353,250	0%	5,150,789	26.27%
07/01/12	-	1,528,759	1,528,759	0%	5,882,211	25.99%
07/01/14	-	1,536,349	1,536,349	0%	5,049,574	30.43%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - City of Tullahoma Other Post Employment Retirement Benefits

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
2012	\$ 143,108	19.97%	\$ 301,626
2013	154,296	21.12%	419,759
2014	154,296	31.82%	524,964
2015	169,240	50.58%	599,995
2016	169,240	27.24%	716,870
2017	169,240	19.64%	845,953

SCHEDULE OF FUNDING PROGRESS - Tullahoma Board of Education Other Post Employment Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	\$ -	\$ 3,845,307	\$ 3,845,307	0%	\$ 20,000,000	19.23%
07/01/12	-	3,692,831	3,692,831	0%	17,400,000	21.22%
07/01/14	-	3,141,069	3,141,069	0%	19,300,000	16.27%
07/01/16	-	3,189,591	3,189,591	0%	18,531,816	17.21%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - Tullahoma Board of Education Other Post Employment Retirement Benefits

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	OPEB Obligation
06/30/12	\$ 11,143	51.58%	\$ 10,268
06/30/13	447,978	46.24%	251,035
06/30/14	447,978	55.52%	450,330
06/30/15	348,667	54.57%	605,633
06/30/16	348,667	44.38%	795,805
06/30/17	339,099	103.66%	1,014,144



CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest	\$ 445	\$ -	\$ 445	\$ -	\$ -	\$ 445
EXPENDITURES:						
Principal retirement	2,790,500	-	2,790,500	2,790,500	2,790,500	-
Interest	953,753	-	953,753	1,304,848	1,321,608	367,855
Fiscal charges	1,650	-	1,650	3,000	3,000	1,350
Total expenditures	3,745,903	-	3,745,903	4,098,348	4,115,108	369,205
Excess (deficiency) of revenues over (under) expenditures	(3,745,458)	-	(3,745,458)	(4,098,348)	(4,115,108)	369,650
OTHER FINANCING SOURCES (USES):						
Transfers in	3,786,531	-	3,786,531	4,098,348	4,098,348	(311,817)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	3,786,531	-	3,786,531	4,098,348	4,098,348	(311,817)
Net change in fund balance	41,073	-	41,073	-	(16,760)	57,833
Fund balance, July 1, 2016	227,906	-	227,906	227,906	227,906	-
Fund balance, June 30, 2017	\$ 268,979	\$ -	\$ 268,979	\$ 227,906	\$ 211,146	\$ 57,833

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds							Debt Service Funds	Capital Projects Funds			
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects	Total Non-major Governmental Funds
ASSETS:												
Cash and cash equivalents	\$ 881	\$ 323,782	\$ 202,163	\$ 352,804	\$ 96,037	\$ 849,581	\$ 688,386	\$ 139,166	\$ 3,274,855	\$ 1,845,158	\$ 12,306	\$ 7,785,119
Investments	-	101,641	12,876	-	-	-	-	-	-	-	-	114,517
Receivables	-	795	8,594	64,415	-	-	-	-	-	-	-	73,804
Allowance for doubtful accounts	-	-	(2,021)	(21,256)	-	-	-	-	-	-	-	(23,277)
Notes receivable	-	-	-	-	-	-	1,101,494	63,432	-	-	-	1,164,926
Due from other governments	519,084	180,613	-	78,663	-	-	-	-	-	160,025	-	938,385
Due from other funds	-	-	-	-	-	-	-	-	148,852	-	-	148,852
Prepaid expenses	-	-	-	1,840	-	-	-	-	-	-	-	1,840
Total assets	<u>\$ 519,965</u>	<u>\$ 606,831</u>	<u>\$ 221,612</u>	<u>\$ 476,466</u>	<u>\$ 96,037</u>	<u>\$ 849,581</u>	<u>\$ 1,789,880</u>	<u>\$ 202,598</u>	<u>\$ 3,423,707</u>	<u>\$ 2,005,183</u>	<u>\$ 12,306</u>	<u>\$ 10,204,166</u>
LIABILITIES:												
Accrued liabilities	\$ -	\$ -	\$ -	\$ 33,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,282
Accrued payroll	71,068	-	-	-	-	-	-	-	-	-	-	71,068
Accounts payable	-	-	1,032	60,240	463	1,557	-	-	-	84,193	-	147,485
Due to other funds	301,000	-	-	-	-	-	-	-	-	-	-	301,000
Total liabilities	<u>372,068</u>	<u>-</u>	<u>1,032</u>	<u>93,522</u>	<u>463</u>	<u>1,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,193</u>	<u>-</u>	<u>552,835</u>
DEFERRED INFLOWS OF RESOURCES:												
Unavailable revenue - loans	-	-	-	-	-	-	1,101,494	63,432	-	-	-	1,164,926
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,101,494</u>	<u>63,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,926</u>
FUND BALANCES:												
Nonspendable:												
Prepaid items	-	-	-	1,840	-	-	-	-	-	-	-	1,840
Restricted for:												
Debt service	-	-	-	-	-	-	-	-	3,423,707	-	-	3,423,707
Capital improvements	-	-	-	-	-	-	-	-	-	1,920,990	12,306	1,933,296
Drug enforcement	-	-	-	-	95,574	-	-	-	-	-	-	95,574
Grant projects	147,897	-	-	-	-	-	688,386	139,166	-	-	-	975,449
School operations	-	606,831	-	-	-	-	-	-	-	-	-	606,831
Solid waste	-	-	-	381,104	-	-	-	-	-	-	-	381,104
Extended school	-	-	220,580	-	-	-	-	-	-	-	-	220,580
Committed to:												
Equipment replacement	-	-	-	-	-	848,024	-	-	-	-	-	848,024
Total fund balances	<u>147,897</u>	<u>606,831</u>	<u>220,580</u>	<u>382,944</u>	<u>95,574</u>	<u>848,024</u>	<u>688,386</u>	<u>139,166</u>	<u>3,423,707</u>	<u>1,920,990</u>	<u>12,306</u>	<u>8,486,405</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 519,965</u>	<u>\$ 606,831</u>	<u>\$ 221,612</u>	<u>\$ 476,466</u>	<u>\$ 96,037</u>	<u>\$ 849,581</u>	<u>\$ 1,789,880</u>	<u>\$ 202,598</u>	<u>\$ 3,423,707</u>	<u>\$ 2,005,183</u>	<u>\$ 12,306</u>	<u>\$ 10,204,166</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds							Debt Service Fund	Capital Projects Funds			
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects	Total Non-major Governmental Funds
REVENUES:												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	2,555,087	1,744,634	-	-	-	-	-	-	-	385,971	-	4,685,692
Charges for services	-	507,904	283,856	1,072,840	17,014	-	-	-	-	-	-	1,881,614
Investment income	-	1,705	394	834	292	1,429	14,496	1,038	17,436	2,017	-	39,641
Note repayments	-	-	-	-	-	-	299,435	22,215	-	-	-	321,650
Sale of property	-	-	-	-	-	5,000	-	-	-	-	-	5,000
Other revenues	-	7,425	1,736	-	-	-	222	95	-	84,000	-	93,478
Total revenues	2,555,087	2,261,668	285,986	1,073,674	17,306	6,429	314,153	23,348	17,436	471,988	-	7,027,075
EXPENDITURES:												
Current:												
Education:												
Regular education	965,012	-	-	-	-	-	-	-	-	-	-	965,012
Special education	1,449,027	-	-	-	-	-	-	-	-	-	-	1,449,027
Vocational education	557	-	-	-	-	-	-	-	-	-	-	557
Other student support	13,775	-	-	-	-	-	-	-	-	-	-	13,775
Instructional staff	-	-	-	-	-	-	-	-	-	-	-	-
Fire:												
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Community services:												
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Program costs	-	2,300,304	263,437	2,304,566	7,200	-	31,967	53	-	110,998	-	5,018,525
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	109,182	30,448	-	74,860	10,725	285,641	-	-	-	514,770	-	1,025,626
Loans disbursed	-	-	-	-	-	-	115,366	23,000	-	-	-	138,366
Total expenditures	2,537,553	2,330,752	263,437	2,379,426	17,925	285,641	147,333	23,053	-	625,768	-	8,610,888
Excess (deficiency) revenues over (under) expenditures	17,534	(69,084)	22,549	(1,305,752)	(619)	(279,212)	166,820	295	17,436	(153,780)	-	(1,583,813)
OTHER FINANCING SOURCES (USES):												
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of notes	-	-	-	-	-	-	-	-	-	-	-	-
Reoffering premium	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,587,068	-	563,000	-	-	2,349,951	557,667	12,306	5,069,992
Transfers out	-	-	-	(140,000)	-	-	-	-	(2,411,188)	-	-	(2,551,188)
Total other financing sources	-	-	-	1,447,068	-	563,000	-	-	(61,237)	557,667	12,306	2,518,804
Net change in fund balances	17,534	(69,084)	22,549	141,316	(619)	283,788	166,820	295	(43,801)	403,887	12,306	934,991
Fund balances, July 1, 2016	130,363	675,915	198,031	241,628	96,193	564,236	521,566	138,871	3,467,508	1,517,103	-	7,551,414
Fund balances, June 30, 2017	\$ 147,897	\$ 606,831	\$ 220,580	\$ 382,944	\$ 95,574	\$ 848,024	\$ 688,386	\$ 139,166	\$ 3,423,707	\$ 1,920,990	\$ 12,306	\$ 8,486,405

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FEDERAL AND STATE PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 2,555,087	\$ -	\$ 2,555,087	\$ 2,714,980	\$ 2,714,980	\$ (159,893)
Total revenues	2,555,087	-	2,555,087	2,714,980	2,714,980	(159,893)
EXPENDITURES:						
Regular education:						
Salaries	628,575	-	628,575	674,153	674,153	45,578
Payroll taxes	46,281	-	46,281	51,842	51,842	5,561
Benefits	155,720	-	155,720	160,548	160,548	4,828
Staff development	96,541	-	96,541	119,515	119,515	22,974
Supplies	30,481	-	30,481	56,906	56,906	26,425
Other	7,414	-	7,414	8,966	8,966	1,552
Total regular education	965,012	-	965,012	1,071,930	1,071,930	106,918
Special education:						
Salaries	1,020,554	-	1,020,554	1,031,240	1,031,240	10,686
Payroll taxes	65,851	-	65,851	67,295	67,295	1,444
Benefits	209,860	-	209,860	246,232	246,232	36,372
Contract services	96,000	-	96,000	98,000	98,000	2,000
Staff development	11,579	-	11,579	13,254	13,254	1,675
Supplies	22,398	-	22,398	28,456	28,456	6,058
Travel	917	-	917	2,400	2,400	1,483
Other	21,868	-	21,868	32,013	32,013	10,145
Total special education	1,449,027	-	1,449,027	1,518,890	1,518,890	69,863
Vocational education:						
Maintenance and repairs	498	-	498	498	498	-
Travel	59	-	59	59	59	-
Total vocational education	557	-	557	557	557	-
Other student support:						
Travel	10,075	-	10,075	10,075	10,075	-
Other	3,700	-	3,700	3,700	3,700	-
Total other student support	13,775	-	13,775	13,775	13,775	-
Capital outlay	109,182	-	109,182	109,182	109,182	-
Total expenditures	2,537,553	-	2,537,553	2,714,334	2,714,334	176,781
Net change in fund balance	17,534	-	17,534	646	646	16,888
Fund balance, July 1, 2016	130,363	-	130,363	130,363	130,363	-
Fund balance, June 30, 2017	\$ 147,897	\$ -	\$ 147,897	\$ 131,009	\$ 131,009	\$ 16,888

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FOOD SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 1,744,634	\$ -	\$ 1,744,634	\$ 1,770,000	\$ 1,770,000	\$ (25,366)
Charges for services	507,904	-	507,904	649,000	649,000	(141,096)
Interest income	1,705	-	1,705	2,000	2,000	(295)
Other income	7,425	-	7,425	-	-	7,425
Total revenues	<u>2,261,668</u>	<u>-</u>	<u>2,261,668</u>	<u>2,421,000</u>	<u>2,421,000</u>	<u>(159,332)</u>
EXPENDITURES:						
Current:						
Salaries	708,536	-	708,536	695,000	695,000	(13,536)
Payroll taxes	54,202	-	54,202	57,000	57,000	2,798
Benefits	159,828	-	159,828	239,000	239,000	79,172
Contract services	25,440	-	25,440	30,000	30,000	4,560
Maintenance and repairs	42,978	-	42,978	20,000	20,000	(22,978)
Travel	8,565	-	8,565	15,000	15,000	6,435
Supplies	1,187,877	-	1,187,877	1,100,000	1,100,000	(87,877)
Other	112,878	-	112,878	115,000	115,000	2,122
Capital outlay	30,448	-	30,448	150,000	150,000	119,552
Total expenditures	<u>2,330,752</u>	<u>-</u>	<u>2,330,752</u>	<u>2,421,000</u>	<u>2,421,000</u>	<u>90,248</u>
Net change in fund balance	(69,084)	-	(69,084)	-	-	(69,084)
Fund balance, July 1, 2016	<u>675,915</u>	<u>-</u>	<u>675,915</u>	<u>675,915</u>	<u>675,915</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 606,831</u>	<u>\$ -</u>	<u>\$ 606,831</u>	<u>\$ 675,915</u>	<u>\$ 675,915</u>	<u>\$ (69,084)</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Charges for services	\$ 283,856	\$ -	\$ 283,856	\$ 348,500	\$ 348,500	\$ (64,644)
Interest income	394	-	394	-	-	394
Other income	1,736	-	1,736	-	-	1,736
Total revenues	285,986	-	285,986	348,500	348,500	(62,514)
EXPENDITURES:						
Salaries	215,942	-	215,942	274,000	274,000	58,058
Payroll taxes	16,519	-	16,519	20,000	20,000	3,481
Benefits	17,529	-	17,529	23,000	23,000	5,471
Supplies	5,748	-	5,748	23,000	23,000	17,252
Other	7,699	-	7,699	8,500	8,500	801
Total expenditures	263,437	-	263,437	348,500	348,500	85,063
Net change in fund balance	22,549	-	22,549	-	-	22,549
Fund balance, July 1, 2016	198,031	-	198,031	198,031	198,031	-
Fund balance, June 30, 2017	<u>\$ 220,580</u>	<u>\$ -</u>	<u>\$ 220,580</u>	<u>\$ 198,031</u>	<u>\$ 198,031</u>	<u>\$ 22,549</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 8,333	\$ -	\$ -
Charges for services	1,072,840	-	1,072,840	954,929	1,031,489	41,351
Investment income	834	-	834	200	200	634
Total revenues	1,073,674	-	1,073,674	963,462	1,031,689	41,985
EXPENDITURES:						
Current:						
Salaries	835,868	-	835,868	805,416	851,245	15,377
Payroll taxes	61,289	-	61,289	63,459	66,538	5,249
Benefits	279,845	-	279,845	302,184	288,728	8,883
Telephone and utilities	1,122	-	1,122	1,300	1,300	178
Contract and professional	14,398	-	14,398	34,000	30,000	15,602
Repairs and maintenance	178,341	-	178,341	200,236	207,016	28,675
Travel and training	-	-	-	1,500	1,500	1,500
Supplies	149,690	-	149,690	23,550	157,427	7,737
Uniforms	6,297	-	6,297	10,700	8,560	2,263
Gas and oil	96,269	-	96,269	101,143	108,085	11,816
Parts and supplies	1,946	-	1,946	2,790	4,790	2,844
Operating insurance	73,813	-	73,813	79,512	79,487	5,674
Landfill	602,665	-	602,665	595,522	611,022	8,357
Other	3,023	-	3,023	23,908	5,310	2,287
Total program costs	2,304,566	-	2,304,566	2,245,220	2,421,008	116,442
Capital outlay	74,860	-	74,860	62,247	89,714	14,854
Total expenditures	2,379,426	-	2,379,426	2,307,467	2,510,722	131,296
Excess (deficiency) of revenues over (under) expenditures	(1,305,752)	-	(1,305,752)	(1,344,005)	(1,479,033)	173,281
OTHER FINANCING SOURCES (USES):						
Transfers in	1,587,068	-	1,587,068	1,587,068	1,587,068	-
Transfers out	(140,000)	-	(140,000)	(15,000)	(140,000)	-
Total other financing sources (uses)	1,447,068	-	1,447,068	1,572,068	1,447,068	-
Net change in fund balance	141,316	-	141,316	228,063	(31,965)	173,281
Fund balance, July 1, 2016	241,628	-	241,628	241,628	241,628	-
Fund balance, June 30, 2017	\$ 382,944	\$ -	\$ 382,944	\$ 469,691	\$ 209,663	\$ 173,281

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Drug fines	\$ 12,414	\$ -	\$ 12,414	\$ 12,000	\$ 12,000	\$ 414
Confiscated money	4,600	-	4,600	6,000	6,000	(1,400)
Sale of confiscated equipment	-	-	-	6,000	-	-
Investment income	292	-	292	100	100	192
Other revenues	-	-	-	3,000	3,000	(3,000)
Total revenues	17,306	-	17,306	27,100	21,100	(3,794)
EXPENDITURES:						
Current:						
Salaries	133	-	133	2,000	800	667
Payroll taxes	10	-	10	153	153	143
Repairs and maintenance	393	-	393	2,000	1,000	607
Travel and training	384	-	384	1,000	1,000	616
Supplies	2,881	-	2,881	7,750	5,250	2,369
Other	3,399	-	3,399	8,000	6,000	2,601
Capital outlay	10,725	-	10,725	20,000	20,000	9,275
Total expenditures	17,925	-	17,925	40,903	34,203	16,278
Excess (deficiency) of revenues over (under) expenditures	(619)	-	(619)	(13,803)	(13,103)	12,484
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	13,803	13,103	(13,103)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	13,803	13,103	(13,103)
Net change in fund balance	(619)	-	(619)	-	-	(619)
Fund balance, July 1, 2016	96,193	-	96,193	96,193	96,193	-
Fund balance, June 30, 2017	\$ 95,574	\$ -	\$ 95,574	\$ 96,193	\$ 96,193	\$ (619)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
UDAG FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 299,657	\$ -	\$ 299,657	\$ 230,000	\$ 291,300	\$ 8,357
Investment income	14,496	-	14,496	400	1,500	12,996
Other	-	-	-	100	200	200
Total revenues	314,153	-	314,153	230,500	293,000	21,553
EXPENDITURES:						
Program cost	21,918	-	21,918	31,000	31,000	9,082
Sign grant	10,049	-	10,049	10,000	12,000	1,951
Industrial loans	115,366	-	115,366	350,000	250,000	134,634
Total expenditures	147,333	-	147,333	391,000	293,000	145,667
Net change in fund balance	166,820	-	166,820	(160,500)	-	(124,114)
Fund balance, July 1, 2016	521,566	-	-	-	-	-
Fund balance, June 30, 2017	<u>\$ 688,386</u>	<u>\$ -</u>	<u>\$ 166,820</u>	<u>\$ (160,500)</u>	<u>\$ -</u>	<u>\$ (124,114)</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 22,215	\$ -	\$ 22,215	\$ 40,000	\$ 40,000	\$ (17,785)
Investment Income	1,038	-	1,038	100	100	938
Other revenues	95	-	95	100	100	(5)
Total revenues	23,348	-	23,348	40,200	40,200	(16,852)
EXPENDITURES:						
Program costs	53	-	53	750	750	697
Loans disbursed	23,000	-	23,000	60,000	25,000	2,000
Total expenditures	23,053	-	23,053	60,750	25,750	2,697
Net change in fund balance	295	-	295	(20,550)	14,450	(14,155)
Fund balance, July 1, 2016	138,871	-	138,871	138,871	138,871	-
Fund balance, June 30, 2017	<u>\$ 139,166</u>	<u>\$ -</u>	<u>\$ 139,166</u>	<u>\$ 118,321</u>	<u>\$ 153,321</u>	<u>\$ (14,155)</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EQUIPMENT REPLACEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Investment income	\$ 1,429	\$ -	\$ 1,429	\$ -	\$ -	\$ 1,429
Sale of property	5,000	-	5,000	-	5,000	-
Other revenue	-	-	-	-	1,235	(1,235)
Total revenues	6,429	-	6,429	-	6,235	194
EXPENDITURES:						
Current:						
Other	-	-	-	-	-	-
Total current	-	-	-	-	-	-
Capital outlay	285,641	-	285,641	-	569,235	283,594
Total expenditures	285,641	-	285,641	-	569,235	283,594
Excess (deficiency) of revenues over (under) expenditures	(279,212)	-	(279,212)	-	(563,000)	283,788
OTHER FINANCING SOURCES (USES):						
Transfers in	563,000	-	563,000	-	563,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	563,000	-	563,000	-	563,000	-
Net change in fund balance	283,788	-	283,788	-	-	283,788
Fund balance, July 1, 2016	564,236	-	564,236	564,236	564,236	-
Fund balance, June 30, 2017	\$ 848,024	\$ -	\$ 848,024	\$ 564,236	\$ 564,236	\$ 283,788

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EDUCATION DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest income	\$ 17,436	\$ -	\$ 17,436	\$ -	\$ -	\$ 17,436
Total revenues	17,436	-	17,436	-	-	17,436
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	17,436	-	17,436	-	-	17,436
OTHER FINANCING SOURCES (USES):						
Transfers in	2,349,951	-	2,349,951	2,532,000	2,532,000	(182,049)
Transfers out	(2,411,188)	-	(2,411,188)	(2,547,000)	(2,547,000)	135,812
Total other financing sources (uses)	(61,237)	-	(61,237)	(15,000)	(15,000)	(46,237)
Net change in fund balance	(43,801)	-	(43,801)	(15,000)	(15,000)	(28,801)
Fund balance, July 1, 2016	3,467,508	-	3,467,508	3,467,508	3,467,508	-
Fund balance, June 30, 2017	\$ 3,423,707	\$ -	\$ 3,423,707	\$ 3,452,508	\$ 3,452,508	\$ (28,801)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SCHOOL FEDERAL AND STATE PROJECTS FUND

The School Federal and State Projects accounts for funds generated through federal and state grants which support various educational programs.

SCHOOL FOOD SERVICES FUND

The School Food Services Fund accounts for funds generated through the food service operations of the City Schools, and also includes funds received through state and federal grants for the free and reduced meal programs.

EXTENDED SCHOOL PROGRAM FUND

The Extended School Program Fund accounts for the program revenues and expenses related to the City Schools' extended school program which provides child care services before and after school.

SOLID WASTE MANAGEMENT FUND

To account for the receipts from garbage collection fees and expenses related to the City's solid waste activities.

DRUG ENFORCEMENT FUND

To account for funds confiscated by the City in drug law enforcement actions.

EQUIPMENT REPLACEMENT FUND

To account for the replacement of vehicles purchased by municipal departments.

UDAG

To account for repayment and disbursement of UDAG funds for businesses.

USDA REVOLVING LOAN FUND

To account for loans originally made from funds received from Rural Development.

DEBT SERVICE FUNDS

EDUCATION DEBT SERVICE FUND

Established by private act to provide funds to make debt service payments for Education facilities.
Funded primarily by internal transfers of sales tax from the General Fund.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS

To account for the use of bond proceeds for the construction of public facilities and other public works projects including the building replacement fund.

FEDERAL PROJECTS FUND

To account for grant funds primarily from the Department of Justice for specific law enforcement purposes.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNIT
TULLAHOMA UTILITIES AUTHORITY
JUNE 30, 2017

	Electric System	Fiber Optics System	Wastewater System	Water System	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 7,209,724	\$ 2,632,658	\$ 1,465,679	\$ 2,735,519	\$ 14,043,580
Accounts receivable	2,027,097	531,618	329,329	323,379	3,211,423
Allowance for doubtful accounts	(7,931)	(6,414)	(2,695)	(2,745)	(19,785)
Unbilled revenue	2,426,446	-	-	-	2,426,446
Due from other governments	25,362	-	-	23,731	49,093
Inventory	868,471	271,409	160,460	318,059	1,618,399
Due from other funds	1,087,209	101	2,239	1,366	1,090,915
Other assets	313,359	17,736	800,097	-	1,131,192
Restricted assets:					
Bond funds - cash and cash equivalents	-	-	251,097	34,749	285,846
Construction funds - cash and cash equivalents	5,317,343	990,414	972,218	243,071	7,523,046
Total current assets	<u>19,267,080</u>	<u>4,437,522</u>	<u>3,978,424</u>	<u>3,677,129</u>	<u>31,360,155</u>
CAPITAL AND OTHER NONCURRENT ASSETS:					
Capital assets:					
Utility plant in service	29,773,459	5,354,371	19,449,220	10,868,300	65,445,350
Land	333,168	-	134,588	8,324	476,080
Buildings and improvements	1,640,857	1,330	10,801,338	3,814,744	16,258,269
Furniture, machinery, and equipment	2,336,237	866,530	1,451,617	814,223	5,468,607
Construction in progress	2,778,587	371,547	7,239,887	1,925,075	12,315,096
Less accumulated depreciation	<u>(18,383,113)</u>	<u>(4,959,585)</u>	<u>(20,125,280)</u>	<u>(8,863,630)</u>	<u>(52,331,608)</u>
Capital assets, net	<u>18,479,195</u>	<u>1,634,193</u>	<u>18,951,370</u>	<u>8,567,036</u>	<u>47,631,794</u>
Other noncurrent assets:					
Notes receivable	237,808	-	369	-	238,177
Other assets	<u>-</u>	<u>25,297</u>	<u>-</u>	<u>-</u>	<u>25,297</u>
Total capital and other noncurrent assets	<u>18,717,003</u>	<u>1,659,490</u>	<u>18,951,739</u>	<u>8,567,036</u>	<u>47,895,268</u>
Total assets	<u>37,984,083</u>	<u>6,097,012</u>	<u>22,930,163</u>	<u>12,244,165</u>	<u>79,255,423</u>
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	5,648,895	347,378	63,233	304,469	6,363,975
Accrued expenses and other liabilities	303,679	265,570	26,760	44,245	640,254
Due to other funds	-	1,072,030	11,528	7,357	1,090,915
Customer deposits	2,161,249	71,092	-	-	2,232,341
Liabilities payable from restricted assets:					
Bonds and notes payable - current portion	969,402	290,598	258,308	337,000	1,855,308
Contracts and retainage payable	<u>-</u>	<u>22,271</u>	<u>52,597</u>	<u>-</u>	<u>74,868</u>
Total current liabilities	<u>9,083,225</u>	<u>2,068,939</u>	<u>412,426</u>	<u>693,071</u>	<u>12,257,661</u>
NONCURRENT LIABILITIES:					
Conservation - TVA program	245,464	-	-	-	245,464
Revenue and tax bonds and other obligations payable - noncurrent portion	<u>8,619,049</u>	<u>2,816,589</u>	<u>3,749,696</u>	<u>943,642</u>	<u>16,128,976</u>
Total noncurrent liabilities	<u>8,864,513</u>	<u>2,816,589</u>	<u>3,749,696</u>	<u>943,642</u>	<u>16,374,440</u>
Total liabilities	<u>17,947,738</u>	<u>4,885,528</u>	<u>4,162,122</u>	<u>1,636,713</u>	<u>28,632,101</u>
NET POSITION					
Net investment in capital assets	9,054,351	-	15,034,434	7,356,836	31,445,621
Restricted:					
Restricted for debt service	-	-	251,097	34,749	285,846
Restricted for construction	5,317,343	968,143	919,621	243,071	7,448,178
Unrestricted	<u>5,664,651</u>	<u>243,341</u>	<u>2,562,889</u>	<u>2,972,796</u>	<u>11,443,677</u>
Total net position	<u>\$ 20,036,345</u>	<u>\$ 1,211,484</u>	<u>\$ 18,768,041</u>	<u>\$ 10,607,452</u>	<u>\$ 50,623,322</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNIT
TULLAHOMA UTILITIES AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017

	Electric System	Fiber Optics System	Wastewater System	Water System	Total
OPERATING REVENUES:					
Charges for services	\$ 28,344,486	\$ 6,557,462	\$ 3,786,681	\$ 3,656,004	\$ 42,344,633
Forfeited discounts and penalties	197,773	-	25,995	24,038	247,806
Rental income	875,883	-	-	2,580	878,463
Other operating revenue	182,169	-	81,600	96,213	359,982
Total operating revenues	<u>29,600,311</u>	<u>6,557,462</u>	<u>3,894,276</u>	<u>3,778,835</u>	<u>43,830,884</u>
OPERATING EXPENSES:					
Purchased power	23,791,437	-	-	-	23,791,437
Purchased water	-	-	-	1,400,051	1,400,051
Distribution and transmission	978,474	3,332,979	863,994	429,323	5,604,770
Customer accounting and collection	431,690	280,907	213,395	220,041	1,146,033
Maintenance expense	946,332	217,477	852,579	291,512	2,307,900
Administrative and general	1,232,933	749,992	777,795	595,290	3,356,010
Depreciation and amortization	1,030,277	872,486	797,270	370,955	3,070,988
Tax and tax equivalents	641,078	50,580	89,837	55,044	836,539
Total operating expenses	<u>29,052,221</u>	<u>5,504,421</u>	<u>3,594,870</u>	<u>3,362,216</u>	<u>41,513,728</u>
OPERATING INCOME	548,090	1,053,041	299,406	416,619	2,317,156
NONOPERATING REVENUES (EXPENSES):					
Interest income	56,921	58,151	8,929	14,347	138,348
Other income	25,664	-	358,677	-	384,341
Gain on sale of property	21,883	320	-	-	22,203
Interest expense	(84,623)	(560,575)	(45,835)	(14,818)	(705,851)
Debt issuance expense	<u>(75,259)</u>	<u>(24,691)</u>	<u>(5,490)</u>	<u>(14,485)</u>	<u>(119,925)</u>
Total non-operating revenues (expenses)	<u>(55,414)</u>	<u>(526,795)</u>	<u>316,281</u>	<u>(14,956)</u>	<u>(280,884)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	492,676	526,246	615,687	401,663	2,036,272
Capital contributions	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>-</u>	<u>4,250</u>
Change in net position	492,676	526,246	619,937	401,663	2,040,522
Total net position, beginning, as previously presented	21,530,729	(1,301,822)	18,148,104	10,205,789	48,582,800
Equity transfer (See Note 2)	<u>(1,987,060)</u>	<u>1,987,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning, as restated	<u>19,543,669</u>	<u>685,238</u>	<u>18,148,104</u>	<u>10,205,789</u>	<u>48,582,800</u>
Total net position, end of year	<u>\$ 20,036,345</u>	<u>\$ 1,211,484</u>	<u>\$ 18,768,041</u>	<u>\$ 10,607,452</u>	<u>\$ 50,623,322</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF CASH FLOWS
COMPONENT UNIT
TULLAHOMA UTILITIES AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017

	Electric System	Fiber Optics System	Wastewater System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 30,225,932	\$ 6,551,090	\$ 4,347,622	\$ 3,773,623	\$ 44,898,267
Cash paid to suppliers	(24,907,849)	(3,461,616)	(1,425,769)	(2,158,677)	(31,953,911)
Cash paid to employees	(2,102,282)	(707,133)	(1,345,382)	(827,892)	(4,982,689)
Other payments	(641,078)	(50,580)	(89,837)	(55,044)	(836,539)
Net cash provided (used) by operating activities	<u>2,574,723</u>	<u>2,331,761</u>	<u>1,486,634</u>	<u>732,010</u>	<u>7,125,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Increase (decrease) in customer deposits	183,291	7,181	-	-	190,472
(Increase) decrease in notes receivable	87,713	-	422	436,311	524,446
Advances from TVA-Home Weatherization Program	(86,562)	-	-	-	(86,562)
Transfer between funds	(1,987,060)	1,987,060	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(1,802,618)</u>	<u>1,994,241</u>	<u>422</u>	<u>436,311</u>	<u>628,356</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(8,819,354)	(505,955)	(319,082)	(339,024)	(9,983,415)
Proceeds from disposition of capital assets	21,883	6,691,694	-	-	6,713,577
Proceeds from borrowing long-term debt	9,939,145	3,260,855	383,250	1,210,200	14,793,450
Principal paid on long-term debt	(514,301)	(13,330,699)	(733,705)	(2,047,000)	(16,625,705)
Interest paid on long-term debt	(84,623)	(842,553)	(45,835)	(16,331)	(989,342)
Debt issuance cost	(75,259)	(24,691)	(5,490)	(14,485)	(119,925)
Capital contributions received	-	-	4,250	-	4,250
Net cash provided (used) by capital financing activities	<u>467,491</u>	<u>(4,751,349)</u>	<u>(716,612)</u>	<u>(1,206,640)</u>	<u>(6,207,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and other income	56,921	58,151	8,929	14,347	138,348
Net cash provided in investing activities	<u>56,921</u>	<u>58,151</u>	<u>8,929</u>	<u>14,347</u>	<u>138,348</u>
Net increase (decrease) in cash and cash equivalents	1,296,517	(367,196)	779,373	(23,972)	1,684,722
Cash and cash equivalents, beginning of year	<u>11,230,550</u>	<u>3,990,268</u>	<u>1,909,621</u>	<u>3,037,311</u>	<u>20,167,750</u>
Cash and cash equivalents, end of year	<u>\$ 12,527,067</u>	<u>\$ 3,623,072</u>	<u>\$ 2,688,994</u>	<u>\$ 3,013,339</u>	<u>\$ 21,852,472</u>
Cash accounts consists of:					
Cash and cash equivalents	\$ 7,209,724	\$ 2,632,658	\$ 1,465,679	\$ 2,735,519	\$ 14,043,580
Bond funds - cash and cash equivalents	-	-	251,097	34,749	285,846
Construction funds - cash and cash equivalents	5,317,343	990,414	972,218	243,071	7,523,046
	<u>\$ 12,527,067</u>	<u>\$ 3,623,072</u>	<u>\$ 2,688,994</u>	<u>\$ 3,013,339</u>	<u>\$ 21,852,472</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS

Operating Income:	\$ 548,090	\$ 1,053,041	\$ 299,406	\$ 416,619	\$ 2,317,156
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	1,030,277	872,486	797,270	370,955	3,070,988
Other income	25,664	-	358,677	-	384,341
(Gain) loss on disposal of property	(21,883)	(320)	-	-	(22,203)
(Increase) decrease in:					
Accounts receivable	940,927	(1,423)	91,014	(458)	1,030,060
Inventory	(213,557)	99,311	(25,905)	(25,620)	(165,771)
Other assets	(2,868)	703	(30,440)	3,479	(29,126)
Due from other funds	(319,087)	(4,629)	3,655	(4,754)	(324,815)
Increase (decrease) in:					
Accounts payable	526,282	86,026	23,606	(6,060)	629,854
Due to other funds	(15,864)	292,283	948	(1,645)	275,722
Accrued expenses	76,742	(65,717)	(31,597)	(20,506)	(41,078)
Total adjustments	<u>2,026,633</u>	<u>1,278,720</u>	<u>1,187,228</u>	<u>315,391</u>	<u>4,807,972</u>
Net cash provided by operating activities	<u>\$ 2,574,723</u>	<u>\$ 2,331,761</u>	<u>\$ 1,486,634</u>	<u>\$ 732,010</u>	<u>\$ 7,125,128</u>

See accompanying accountants' report.



CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2017

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
Governmental Activities:						
<u>General Obligation Bonds Payable</u>						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	\$ 4,005,000	\$ 110,000	\$ 1,788
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,055,000	1,812,713
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,150,000	1,650,456
General Obligation School Refunding Bonds, Series 2012	1% - 2%	November 28, 2012	April 1, 2021	4,795,000	2,100,000	103,500
General Obligation Refunding Bonds, Series 2016	2.37%	April 1, 2016	April 1, 2026	4,585,000	3,845,000	389,392
TMBF School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	9,760,000	4,412,745
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	871,000	369,470
Total General Obligation Bonds Payable - Governmental Activities				40,664,000	29,891,000	8,740,064
<u>Notes Payable</u>						
Capital Outlay Notes, Series 2013	2.93%	September 16, 2013	October 1, 2025	890,115	698,000	95,959
Local Government Loan Program, Series 2013	3.00%	December 20, 2013	May 25, 2038	2,400,000	2,142,000	740,340
Capital Outlay Notes, Series 2014	2.26%	May 16, 2014	April 1, 2021	650,000	385,000	22,012
Local Government Loan Program, Series 2015	3.00%	March 31, 2015	May 21, 1940	2,988,500	2,938,000	1,101,720
Total Notes Payable - Governmental Activities				6,928,615	6,163,000	1,960,031
Total Bonds and Notes Payable - Governmental Activities				<u>\$ 47,592,615</u>	<u>\$ 36,054,000</u>	<u>\$ 10,700,095</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2017

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
Component Units:						
Tullahoma Municipal Airport Authority:						
<u>Notes Payable</u>						
UDAG Notes Payable (11-05-05)	0.75%	October 6, 2005	October 1, 2019	\$ 369,780	\$ 63,399	\$ 701
UDAG Notes Payable (10-20-16)	1.00%	October 20, 2016	October 20, 2020	57,823	48,239	831
UDAG Notes Payable (3-14-14)	1.00%	March 14, 2014	March 14, 2019	23,000	8,182	76
UDAG Notes Payable (03-06-15)	1.00%	March 6, 2015	March 6, 2020	11,385	6,332	90
Total Notes Payable - Municipal Airport Authority				<u>\$ 461,988</u>	<u>\$ 126,152</u>	<u>\$ 1,698</u>
Tullahoma Utilities Authority:						
<u>Revenue Bonds Payable</u>						
Electric Revenue Bonds, Series 2016A (12-22-16)	0.48% - 1.28%	December 22, 2016	June 15, 2019	\$ 2,456,766	\$ 1,942,465	\$ 33,440
Electric Revenue Bonds, Series 2016B (12-22-16)	2.04%	December 22, 2016	June 15, 2027	7,482,379	7,482,379	1,005,903
Water and Wastewater Revenue Bonds, Series 2017 (4-7-17):						
Water System	1.89%	April 7, 2017	June 1, 2022	1,215,000	1,215,000	58,556
Wastewater System	1.89%	April 7, 2017	June 1, 2022	387,000	387,000	23,322
Broadband Revenue Bonds, Series 2016C (12-22-16)	0.48% - 1.28%	December 22, 2016	June 15, 2019	743,234	582,535	10,031
Broadband Revenue Bonds, Series 2016D (12-22-16)	2.16%	December 22, 2016	June 15, 2027	2,517,621	2,517,621	328,797
Total Revenue Bonds Payable				<u>14,802,000</u>	<u>14,127,000</u>	<u>1,460,049</u>
<u>Notes Payable</u>						
Wastewater System:						
State Revolving Fund Loan , SWO 12-297	1.15%	March 1, 2012	November 1, 2034	4,014,781	3,533,686	367,370
Total Notes Payable				<u>4,014,781</u>	<u>3,533,686</u>	<u>367,370</u>
Total Bonds and Notes Payable -Utilities Authority				<u>18,816,781</u>	<u>17,660,686</u>	<u>1,827,419</u>
Total Bonds and Notes Payable - Component Units				<u>\$ 19,278,769</u>	<u>\$ 17,786,838</u>	<u>\$ 1,829,117</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GENERAL OBLIGATION BONDS
JUNE 30, 2017

Year	General Obligation Refunding Bonds Series 2006		General Obligation Refunding Bonds Series 2009		General Obligation School Bonds Series 2010		General Obligation School Refunding Bonds Series 2012		General Obligation Refunding Bonds Series 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 820,000	\$ 354,850	\$ 110,000	\$ 1,788	\$ -	\$ 146,594	\$ 375,000	\$ 38,250	\$ 765,000	\$ 91,127
2019	1,065,000	324,100	-	-	100,000	145,094	150,000	33,000	800,000	72,996
2020	1,055,000	284,163	-	-	100,000	142,344	750,000	24,000	285,000	54,036
2021	1,040,000	244,600	-	-	100,000	139,781	825,000	8,250	300,000	47,282
2022	1,035,000	203,000	-	-	100,000	137,094	-	-	310,000	40,171
2023	1,025,000	161,600	-	-	150,000	133,469	-	-	325,000	32,825
2024	1,015,000	120,600	-	-	150,000	128,969	-	-	340,000	25,122
2025	1,005,000	80,000	-	-	200,000	123,594	-	-	350,000	17,064
2026	995,000	39,800	-	-	200,000	117,219	-	-	370,000	8,769
2027	-	-	-	-	375,000	107,641	-	-	-	-
2028	-	-	-	-	400,000	94,313	-	-	-	-
2029	-	-	-	-	400,000	80,063	-	-	-	-
2030	-	-	-	-	425,000	64,843	-	-	-	-
2031	-	-	-	-	450,000	48,438	-	-	-	-
2032	-	-	-	-	475,000	30,500	-	-	-	-
2033	-	-	-	-	525,000	10,500	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-
	<u>\$ 9,055,000</u>	<u>\$ 1,812,713</u>	<u>\$ 110,000</u>	<u>\$ 1,788</u>	<u>\$ 4,150,000</u>	<u>\$ 1,650,456</u>	<u>\$ 2,100,000</u>	<u>\$ 103,500</u>	<u>\$ 3,845,000</u>	<u>\$ 389,392</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GENERAL OBLIGATION BONDS
JUNE 30, 2017

Year	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 38,000	\$ 39,195	\$ 394,000	\$ 439,200	\$ 2,502,000	\$ 1,111,004	\$ 3,613,004
2019	40,000	37,485	412,000	421,470	2,567,000	1,034,145	3,601,145
2020	42,000	35,685	431,000	402,930	2,663,000	943,158	3,606,158
2021	44,000	33,795	450,000	383,535	2,759,000	857,243	3,616,243
2022	46,000	31,815	470,000	363,285	1,961,000	775,365	2,736,365
2023	48,000	29,745	492,000	342,135	2,040,000	699,774	2,739,774
2024	50,000	27,585	514,000	319,995	2,069,000	622,271	2,691,271
2025	52,000	25,335	537,000	296,865	2,144,000	542,858	2,686,858
2026	54,000	22,995	561,000	272,700	2,180,000	461,483	2,641,483
2027	57,000	20,565	586,000	247,455	1,018,000	375,661	1,393,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398	1,406,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863	1,390,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053	1,401,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618	1,409,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165	1,417,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095	1,446,095
2034	-	-	798,000	35,910	798,000	35,910	833,910
	<u>\$ 871,000</u>	<u>\$ 369,470</u>	<u>\$ 9,760,000</u>	<u>\$ 4,412,745</u>	<u>\$ 29,891,000</u>	<u>\$ 8,740,064</u>	<u>\$ 38,631,064</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
CAPITAL OUTLAY NOTES
JUNE 30, 2017

Year	Capital Outlay Notes Series 2013 (09-16-13)		Capital Outlay Notes Series 2014 (05-16-14)	
	Principal	Interest	Principal	Interest
2018	\$ 69,000	\$ 19,440	\$ 93,000	\$ 8,701
2019	71,000	17,390	95,000	6,599
2020	73,000	15,280	97,000	4,452
2021	75,000	13,112	100,000	2,260
2022	77,000	10,885	-	-
2023	80,000	8,585	-	-
2024	82,000	6,212	-	-
2025	84,000	3,780	-	-
2026	87,000	1,275	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
	<u>\$ 698,000</u>	<u>\$ 95,959</u>	<u>\$ 385,000</u>	<u>\$ 22,012</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
CAPITAL OUTLAY NOTES
JUNE 30, 2017

Year	Local Government Loan Program Series 2013 (12-20-13)		Local Government Loan Program Series 2015 (03-31-15)		Total Capital Outlay Notes		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 88,000	\$ 64,260	\$ 112,000	\$ 88,140	\$ 362,000	\$ 180,541	\$ 542,541
2019	89,000	61,620	114,000	84,780	369,000	170,389	539,389
2020	91,000	58,950	115,000	81,360	376,000	160,042	536,042
2021	92,000	56,220	116,000	77,910	383,000	149,502	532,502
2022	93,000	53,460	118,000	74,430	288,000	138,775	426,775
2023	95,000	50,670	119,000	70,890	294,000	130,145	424,145
2024	96,000	47,820	120,000	67,320	298,000	121,352	419,352
2025	97,000	44,940	122,000	63,720	303,000	112,440	415,440
2026	99,000	42,030	123,000	60,060	309,000	103,365	412,365
2027	100,000	39,060	125,000	56,370	225,000	95,430	320,430
2028	102,000	36,060	126,000	52,620	228,000	88,680	316,680
2029	103,000	33,000	127,000	48,840	230,000	81,840	311,840
2030	105,000	29,910	129,000	45,030	234,000	74,940	308,940
2031	106,000	26,760	130,000	41,160	236,000	67,920	303,920
2032	108,000	23,580	132,000	37,260	240,000	60,840	300,840
2033	109,000	20,340	133,000	33,300	242,000	53,640	295,640
2034	111,000	17,070	135,000	29,310	246,000	46,380	292,380
2035	112,000	13,740	136,000	25,260	248,000	39,000	287,000
2036	114,000	10,380	138,000	21,150	252,000	31,530	283,530
2037	115,000	6,960	140,000	17,040	255,000	24,000	279,000
2038	117,000	3,510	141,000	12,840	258,000	16,350	274,350
2039	-	-	143,000	8,610	143,000	8,610	151,610
2040	-	-	144,000	4,320	144,000	4,320	148,320
	<u>\$ 2,142,000</u>	<u>\$ 740,340</u>	<u>\$ 2,938,000</u>	<u>\$ 1,101,720</u>	<u>\$ 6,163,000</u>	<u>\$ 1,960,031</u>	<u>\$ 8,123,031</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA MUNICIPAL AIRPORT AUTHORITY
JUNE 30, 2017

Year	City of Tullahoma UDAG Note (11-01-05)			City of Tullahoma UDAG Note (10-20-16)			City of Tullahoma UDAG Note (03-14-14)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 29,549	\$ 451	\$ 30,000	\$ 14,334	\$ 419	\$ 14,753	\$ 4,658	\$ 61	\$ 4,719
2019	29,772	228	30,000	14,479	274	14,753	3,524	15	3,539
2020	4,078	22	4,100	14,625	128	14,753	-	-	-
2021	-	-	-	4,801	10	4,811	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
	<u>\$ 63,399</u>	<u>\$ 701</u>	<u>\$ 64,100</u>	<u>\$ 48,239</u>	<u>\$ 831</u>	<u>\$ 49,070</u>	<u>\$ 8,182</u>	<u>\$ 76</u>	<u>\$ 8,258</u>

Year	City of Tullahoma UDAG Note (03-06-15)			Total		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 2,283	\$ 53	\$ 2,336	\$ 50,824	\$ 984	\$ 51,808
2019	2,305	30	2,335	50,080	547	50,627
2020	1,744	7	1,751	20,447	157	20,604
2021	-	-	-	4,801	10	4,811
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
	<u>\$ 6,332</u>	<u>\$ 90</u>	<u>\$ 6,422</u>	<u>\$ 126,152</u>	<u>\$ 1,698</u>	<u>\$ 127,850</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES AUTHORITY
JUNE 30, 2017

Year	Electric System Electric Revenue Bonds Series 2016A (12-22-16)		Electric System Electric Revenue Bonds Series 2016B (12-22-16)		Total Electric System Bond Obligations Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 969,402	\$ 20,985	\$ -	\$ 152,640	\$ 969,402	\$ 173,625	\$ 1,143,027
2019	973,063	12,455	-	152,640	973,063	165,095	1,138,158
2020	-	-	876,724	152,640	876,724	152,640	1,029,364
2021	-	-	895,028	134,755	895,028	134,755	1,029,783
2022	-	-	909,672	116,497	909,672	116,497	1,026,169
2023	-	-	927,976	97,939	927,976	97,939	1,025,915
2024	-	-	946,280	79,009	946,280	79,009	1,025,289
2025	-	-	964,584	59,705	964,584	59,705	1,024,289
2026	-	-	979,227	40,027	979,227	40,027	1,019,254
2027	-	-	982,888	20,051	982,888	20,051	1,002,939
	<u>\$ 1,942,465</u>	<u>\$ 33,440</u>	<u>\$ 7,482,379</u>	<u>\$ 1,005,903</u>	<u>\$ 9,424,844</u>	<u>\$ 1,039,343</u>	<u>\$ 10,464,187</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES AUTHORITY
JUNE 30, 2017

Year	Fiber Optics System Broadband Revenue Bonds Series 2016C (12-22-16)		Fiber Optics System Broadband Revenue Bonds Series 2016D (12-22-16)		Total Fiber Optics System Bond Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 290,598	\$ 6,294	\$ -	\$ 44,381	\$ 290,598	\$ 50,675	\$ 341,273
2019	291,937	3,737	-	44,381	291,937	48,118	340,055
2020	-	-	293,276	44,381	293,276	44,381	337,657
2021	-	-	299,972	48,046	299,972	48,046	348,018
2022	-	-	305,328	41,566	305,328	41,566	346,894
2023	-	-	312,024	34,971	312,024	34,971	346,995
2024	-	-	318,720	28,232	318,720	28,232	346,952
2025	-	-	325,416	21,347	325,416	21,347	346,763
2026	-	-	330,773	14,318	330,773	14,318	345,091
2027	-	-	332,112	7,174	332,112	7,174	339,286
	<u>\$ 582,535</u>	<u>\$ 10,031</u>	<u>\$ 2,517,621</u>	<u>\$ 328,797</u>	<u>\$ 3,100,156</u>	<u>\$ 338,828</u>	<u>\$ 3,438,984</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES AUTHORITY
JUNE 30, 2017

Year	Water System Water and Sewer Revenue Bonds Series 2017 (4-7-17)			Wastewater System Water and Sewer Revenue Bonds Series 2017 (4-7-17)			Total Electric, Fiber, Water, and Wastewater Systems Bond Obligations		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 337,000	\$ 26,408	\$ 363,408	\$ 74,000	\$ 8,411	\$ 82,411	\$ 1,671,000	\$ 259,119	\$ 1,930,119
2019	342,000	16,594	358,594	76,000	5,915	81,915	1,683,000	235,722	1,918,722
2020	345,000	10,130	355,130	78,000	4,479	82,479	1,593,000	211,630	1,804,630
2021	95,000	3,610	98,610	79,000	3,005	82,005	1,369,000	189,416	1,558,416
2022	96,000	1,814	97,814	80,000	1,512	81,512	1,391,000	161,389	1,552,389
2023	-	-	-	-	-	-	1,240,000	132,910	1,372,910
2024	-	-	-	-	-	-	1,265,000	107,241	1,372,241
2025	-	-	-	-	-	-	1,290,000	81,052	1,371,052
2026	-	-	-	-	-	-	1,310,000	54,345	1,364,345
2027	-	-	-	-	-	-	1,315,000	27,225	1,342,225
	<u>\$ 1,215,000</u>	<u>\$ 58,556</u>	<u>\$ 1,273,556</u>	<u>\$ 387,000</u>	<u>\$ 23,322</u>	<u>\$ 410,322</u>	<u>\$ 14,127,000</u>	<u>\$ 1,460,049</u>	<u>\$ 15,587,049</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES AUTHORITY
JUNE 30, 2017

State Revolving Loan Fund CWO 12-297			
Year	Principal	Interest	
2018	\$ 184,308	\$	39,672
2019	186,444		37,536
2020	188,604		35,376
2021	190,776		33,204
2022	192,984		30,996
2023	195,216		28,764
2024	197,472		26,508
2025	199,752		24,228
2026	202,068		21,912
2027	204,396		19,584
2028	206,760		17,220
2029	209,160		14,820
2030	211,572		12,408
2031	214,020		9,960
2032	216,492		7,488
2033	219,000		4,980
2034	221,532		2,448
2035	93,130		266
	\$ 3,533,686	\$	367,370

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2016	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2017
STATE FINANCIAL ASSISTANCE PROGRAMS								
Tennessee Department of Agriculture:								
TAEP Community Tree Planting Project	3-24-16 GG	11/1/16-4/30/17	\$ 2,450	\$ -	\$ -	\$ (2,360)	\$ 2,360	\$ -
Child Nutrition Match	N/A	7/1/16-6/30/17	\$ 19,593	-	-	(18,936)	18,936	-
Total Tennessee Department of Agriculture				<u>-</u>	<u>-</u>	<u>(21,296)</u>	<u>21,296</u>	<u>-</u>
Tennessee Department of Education:								
Career Ladder Supplement	N/A	7/1/16-6/30/17	\$ 90,025	-	-	(94,414)	95,581	1,167
Basic Education Program	N/A	7/1/16-6/30/17	15,242,000	-	-	(15,542,000)	15,542,000	-
Coordinated School Health - ARRA	N/A	7/1/15-6/30/16	95,000	25,484	-	(25,484)	-	-
Coordinated School Health - ARRA	N/A	7/1/16-6/30/17	95,000	-	-	(68,119)	95,000	26,881
Pre-K Voluntary for Tennessee Program	N/A	2015-2016	369,942	66,548	-	(66,548)	-	-
Pre-K Voluntary for Tennessee Program	N/A	2016-2017	369,982	-	-	(303,433)	369,939	66,506
Connectenn	N/A	2016-2017	9,128	-	-	(9,128)	9,128	-
Total Tennessee Department of Education				<u>184,064</u>	<u>-</u>	<u>(16,109,126)</u>	<u>16,111,648</u>	<u>186,586</u>
Tennessee Department of Health:								
Project Diabetes Initiative	GG 1438796-00	8/1/13-6/30/16	\$ 423,800	55,239	-	(55,239)	-	-
Project Diabetes	GG 1750665	1/1/16-6/30/17	\$ 149,000	-	-	(123,915)	131,315	7,400
Total Tennessee Department of Health				<u>55,239</u>	<u>-</u>	<u>(179,154)</u>	<u>131,315</u>	<u>7,400</u>
Tennessee Department of Homeland Security:								
Police Traffic Services-Multiple Violations	PT-17-31/402	10/1/16-9/30/17	\$ 14,820	-	-	(11,954)	14,676	2,722
Total Tennessee Department of Health				<u>-</u>	<u>-</u>	<u>(11,954)</u>	<u>14,676</u>	<u>2,722</u>
Tennessee Department of Human Services:								
Vocational Rehabilitation Services								
School to Work Program	N/A	7/1/15-6/30/16	\$ 72,072	35,108	-	(35,108)	-	-
School to Work Program	N/A	7/1/16-6/30/17	\$ 133,148	-	-	(78,282)	133,148	54,866
Total Tennessee Department of Labor and Workforce Development				<u>35,108</u>	<u>-</u>	<u>(113,390)</u>	<u>133,148</u>	<u>54,866</u>
Tennessee Department of Transportation:								
Downtown Revitalization Project	STP-EN/M-9209(13)/PIN 113908	10/18/10-11/1/17	\$ 613,781	329,135	-	(418,662)	112,646	23,119
Total Tennessee Department of Transportation				<u>329,135</u>	<u>-</u>	<u>(418,662)</u>	<u>112,646</u>	<u>23,119</u>
Total State Financial Assistance Programs				<u>\$ 603,546</u>	<u>\$ -</u>	<u>\$ (16,853,582)</u>	<u>\$ 16,524,729</u>	<u>\$ 274,693</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2016	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2017
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation:								
Turf Runway Study	13-227-00	2/15/13-2/14/18	\$ 13,358	\$ 1,425	\$ -	\$ -	\$ -	\$ 1,425
Northwest Ramp Expansion - Phase 2	14-224-00	4/25/14-4/24/19	\$ 441,048	-	-	(152,944)	152,944	-
Airport Maintenance and Upkeep	16-165-00	7/1/15-6/30/16	\$ 19,800	10,888	-	(10,888)	-	-
Airport Maintenance and Upkeep	AERM 17-165-00	7/1/16-6/30/17	\$ 19,800	-	-	(9,389)	19,800	10,411
Construct NW Area Fencing	AERO-17-211-00	1/31/17-1/30/22	\$ 3,550	-	-	(59)	687	628
NW Taxiway Rehabilitation	AERO 13-190-00	3/31/13-10/23/17	\$ 1,280,920	14,664	-	(619,716)	605,052	-
Taxiway Lighting Signage	14-152-00	1/31/14-1/30/18	\$ 150,000	-	-	(128,737)	130,211	1,474
Taxiway Lighting System Modification	AERO-12-237-00	4/2/12-4/1/17	\$ 20,000	-	-	(13,117)	13,117	-
Design and Construction Maint Hangar	14-116-00	7/5/13-7/4/18	\$ 36,250	887	-	(5,297)	4,410	-
Turf R/W Drainage Repair	14-242-00	4/30/14-4/29/19	\$ 93,100	-	-	(62,886)	86,523	23,637
Ramp and T/W Pavement Repairs	12-177-00	12/1/11-6/29/16	\$ 270,000	25,497	-	(25,497)	-	-
Total Tennessee Department of Transportation				<u>\$ 53,361</u>	<u>\$ -</u>	<u>\$ (1,028,530)</u>	<u>\$ 1,012,744</u>	<u>\$ 37,575</u>
Tullahoma Utility Authority								
Tennessee Department of Environment and Conservation:								
Clean Tennessee Energy Grant Program	32701-02068	8/1/14-7/31/16	\$ 102,000	\$ 91,392	\$ -	\$ (91,392)	\$ -	\$ -
Total Tennessee Department of Environment and Conservation				<u>\$ 91,392</u>	<u>\$ -</u>	<u>\$ (91,392)</u>	<u>\$ -</u>	<u>\$ -</u>
Total State Financial Assistance Programs				<u>\$ 144,753</u>	<u>\$ -</u>	<u>\$ (1,119,922)</u>	<u>\$ 1,012,744</u>	<u>\$ 37,575</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2016	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2017
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/15-6/30/16	\$ 369,293	\$ 3,773	\$ -	\$ (3,773)	\$ -	\$ -
National School Breakfast Program	10.553	N/A	7/1/16-6/30/17	\$ 420,295	-	-	(368,810)	420,295	51,485
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	\$ 1,018,885	7,929	-	(7,929)	-	-
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	\$ 1,071,293	-	-	(942,165)	1,071,293	129,128
National Snack	10.555	N/A	7/1/16-6/30/17	\$ 53,510	-	-	(53,510)	53,510	-
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/16-6/30/17	\$ 29,291	-	-	(29,291)	29,291	-
Total U.S. Department of Agriculture					11,702	-	(1,405,478)	1,574,389	180,613
U.S. Department of Education:									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027A	H027A150052	7/1/15-9/30/16	\$ 755,638	156,898		(156,898)	-	-
IDEA - Part B	84.027A	H027A160052	7/1/16-6/30/17	\$ 782,684	-	-	(600,951)	767,370	166,419
IDEA - Preschool	84.173A	H173A140095	7/1/16-6/30/17	\$ 36,458	-	-	(36,458)	36,458	-
IDEA - B Discretionary (Statewide Assessment)	84.173A	H027A150052	7/1/16-6/30/17	\$ 115,719	115,719	-	(115,719)	-	-
IDEA - B Discretionary (Supplemental Funds)	84.027A	H027A160052	7/1/16-6/30/17	\$ 8,042	-	-	(8,042)	8,554	512
IDEA B Discretionary (Suspension funds)	84.027A	H027A160052	7/1/16-6/30/17	\$ 98,240	-	-	(80,156)	95,708	15,552
IDEA B Discretionary (LRE funds)	84.027A	H027A160052	7/1/16-6/30/17	\$ 111,939	-	-	(108,821)	109,079	258
IDEA B Discretionary (SPDG)	84.027A	H027A160052	7/1/16-6/30/17	\$ 10,000	-	-	(4,126)	9,947	5,821
Title I	84.010A	S010A160042	7/1/16-6/30/17	\$ 930,837	-	-	(635,194)	852,761	217,567
Title I, Part A	84.010A	S010A150042	7/1/15-6/30/16	\$ 806,232	195,002	-	(195,002)	-	-
Title II, Part A	84.013A	S013A150042	7/1/15-6/30/16	\$ 122,525	16,256	-	(16,256)	-	-
Title II, Part A	84.367A	S367A160040	7/1/16-6/30/17	\$ 136,631	-	-	(105,409)	122,480	17,071
Title III	84.365A	S365A140042	7/1/16-6/30/17	\$ 5,106	-	-	(5,106)	5,106	-
Title IV, Part B 21st Century	84.287	S287C150043	7/1/15-6/30/16	\$ 330,000	33,924	-	(33,924)	-	-
Title IV, Part B 21st Century	84.287	S287C160043	7/1/16-6/30/17	\$ 325,000	-	-	(220,777)	278,110	57,333
Title IV, Part B 21st Century East/West	84.287	S287C150043	7/1/15-6/30/16	\$ 151,000	28,925	-	(28,925)	-	-
Title IV, Part B 21st Century WMS/THS	84.287	S287C160043	7/1/16-6/30/17	\$ 146,000	-	-	(115,925)	146,000	30,075
Title VI, Part B, Subpart 2	84.358B	S358B150042	7/1/15-6/30/16	\$ 66,601	24,308	-	(24,308)	-	-
Title VI, Part B, Subpart 2	84.358	S358B160042	7/1/16-6/30/17	\$ 73,139	-	-	(71,668)	73,138	1,470
Carl Perkins, Title I Part C	84.048A	V048A150042	7/1/15-6/30/16	\$ 46,852	6,981	-	(6,981)	-	-
Carl Perkins, Title I Part C	84.048A	V048A140042	7/1/16-6/30/17	\$ 50,376	-	-	(43,370)	50,376	7,006
Total U.S. Department of Education					578,013	-	(2,614,016)	2,555,087	519,084
U.S. Department of Labor									
Work Based Learning Grant	17.259	17-06-031-YOUTH	7/1/16-6/30/17	\$ 35,987	-	-	(18,137)	22,408	4,271
Total U.S. Department of Labor					-	-	(18,137)	22,408	4,271
U.S. Department of Housing and Urban Redevelopment:									
HOME Investment Partnership Program	14.239	HA-12-24	7/1/14-6/30/17	\$ 375,000	27,916	-	(157,136)	131,276	2,056
Total U.S. Department of Housing and Urban Redevelopment					27,916	-	(157,136)	131,276	2,056

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2016	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2017
U.S. Department of Finance and Administartion:									
Office of Criminal Justice Programs									
JAG, Police Department Equipment Grant	16.738	N/A	1/1/17-6/30/17	\$ 15,000	\$ -	\$ -	\$ (14,482)	\$ 14,482	\$ -
Total U.S. Department of Finance and Administartion					<u>-</u>	<u>-</u>	<u>(14,482)</u>	<u>14,482</u>	<u>-</u>
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
Safe Routes to School Grant-East Lincoln Elementary School	20.205	SRTS-1600(18)	6/5/14-12/29/17	\$ 203,368	6,214	-	(14,557)	10,734	2,391
Total U.S. Department of Transportation					<u>6,214</u>	<u>-</u>	<u>(14,557)</u>	<u>10,734</u>	<u>2,391</u>
Total Federal Financial Assistance Programs					<u>\$ 623,845</u>	<u>\$ -</u>	<u>\$ (4,223,806)</u>	<u>\$ 4,308,376</u>	<u>\$ 708,415</u>
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
U.S. Department of Agriculture:									
Commodities: Food Distribution Program	10.565	N/A	7/1/16-6/30/17	N/A	\$ -	\$ -	\$ (151,309)	\$ 151,309	\$ -
Total U.S. Department of Agriculture					<u>-</u>	<u>-</u>	<u>(151,309)</u>	<u>151,309</u>	<u>-</u>
Component Units:									
Municipal Airport Authority:									
U.S. Department of Transportation									
Passed through Tennessee Department of Transportation:									
Approach Lighting System-ODALS	20.106	AERO-12-171-00	12/1/11-11/30/16	\$ 320,000	\$ -	\$ -	\$ (233,170)	\$ 233,170	\$ -
Airport Improvement Program	20.106	3-47-SBGP-38, 40	7/5/13-7/4/18	\$ 688,750	15,961	-	(95,340)	79,379	-
Construct NW Area Fencing	20.106	3-47-SBGP-47	1/31/17-1/30/22	\$ 67,450	-	-	(6,708)	12,363	5,655
Total Federal Financial Assistance Programs					<u>\$ 15,961</u>	<u>\$ -</u>	<u>\$ (335,218)</u>	<u>\$ 324,912</u>	<u>\$ 5,655</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE ASSISTANCE
YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

A. Non-cash Federal Programs – Uniform Guidance

The City is the recipient of federal awards that do not result in cash receipts or disbursements, including the distribution of U.S. Department of Agriculture (USDA) Food Commodities (CFDA No. 10.555), which are valued based on a USDA price list obtained from the Tennessee Department of Health. Distributions under such programs are included in the accompanying Schedule of Expenditures of Federal and State Awards in the non-cash assistance section.

B. Federal Financial Assistance without CFDA Numbers

Federal Awards which have no assigned CFDA number have been included in the last section of the appropriate federal agency section.

C. Schedule of Expenditures of State Awards

In compliance with Tennessee state law, the accompanying Schedule of Expenditures of State Awards is included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller's Office, and is prepared and presented in a manner consistent with the Schedule of Expenditures of Federal Awards.

NOTE 2 - BASIS OF ACCOUNTING

The expenditures presented in the accompanying Schedule of Expenditures of Federal and State Awards were developed from agency records and federal and state financial reports which have been reconciled to the accounting records of the City Schools. Governmental funds are reported using a modified accrual basis of accounting. The City Schools' records serve as the primary source of information in preparation of the City Schools' basic financial statements.

NOTE 3 - MATCHING COST

The State of Tennessee's portion of joint programs with the City is included in the accompanying Schedule of Expenditures of State Awards except in those cases where the state's portion is combined with the federal portion and cannot be separately identified. In such cases, the state's portion is included in the accompanying Schedule of Expenditures of Federal Awards. The City's portion of such joint awards is not included.

NOTE 4 - INDIRECT COSTS

Along with all other central service costs allowable under the Uniform Guidance is the amount which may be "allocated" among all programs of the City in a consistent manner, the cost for the audit of the City's financial statements and single audits are included in the City's Cost Allocation Plan.

Many of the City's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the Schedule of Expenditures of Federal and State Awards.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2017

Calendar Year of Levy	Amount
2017	\$ 10,383,215
2016	375,175
2015	79,594
2014	48,450
2013	41,970
2012	24,432
2011	11,407
2010	12,691
2009	14,798
2008	6,554
2007	8,939
2006	6,440
2005	-
Total property tax receivable	11,013,665
Less: allowance for uncollectibles	(630,450)
Net property taxes receivable	<u>\$ 10,383,215</u>

*Estimated amount of taxes levied on January 1, 2017 based upon estimate of assessment.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

Tax Year	Balance July 1, 2016	Tax Levy	Payments/ Adjustments	Anticipated Tax Levy	Balance June 30, 2017
2017	\$ -	\$ -	\$ -	\$ 10,383,215	\$ 10,383,215
2016	-	10,383,215	(10,008,040)	-	375,175
2015	368,606	-	(289,012)	-	79,594
2014	82,033	-	(33,583)	-	48,450
2013	56,640	-	(14,670)	-	41,970
2012	30,624	-	(6,192)	-	24,432
2011	17,228	-	(5,821)	-	11,407
2010	15,338	-	(2,647)	-	12,691
2009	17,024	-	(2,226)	-	14,798
2008	6,737	-	(183)	-	6,554
2007	8,939	-	-	-	8,939
2006	6,440	-	-	-	6,440
2005	2,039	-	(2,039)	-	-
	<u>\$ 611,648</u>	<u>\$ 10,383,215</u>	<u>\$ (10,364,413)</u>	<u>\$ 10,383,215</u>	<u>\$ 11,013,665</u>

*Estimated amount of taxes levied on January 1, 2017 based upon estimate of assessment.

See accompanying accountants' report.



STATISTICAL SECTION (UNAUDITED)

This part of the City of Tullahoma's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This section has not been audited by the independent auditors.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	E-2
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	E-6
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	E-10
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	E-15
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	E-18
Other Information	E-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF TULLAHOMA, TENNESSEE
NET POSITION BY COMPONENTS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Governmental activities:										
Net investment in capital assets	\$ (2,118,850)	\$ 360,871	\$ 305,935	\$ 235,191	\$ 2,710,459	\$ 4,863,118	\$ 5,397,379	\$ 5,986,578	\$ 7,778,998	\$ 9,810,692
Restricted	2,070,179	3,482,921	3,291,781	3,715,245	3,738,226	8,633,751	10,805,869	7,435,009	12,199,196	15,148,325
Unrestricted	12,818,368	9,591,892	10,907,173	11,279,566	10,166,269	4,876,967	5,247,862	5,291,852	5,947,329	5,338,274
Total governmental activities net position	<u>\$ 12,769,697</u>	<u>\$ 13,435,684</u>	<u>\$ 14,504,889</u>	<u>\$ 15,230,002</u>	<u>\$ 16,614,954</u>	<u>\$ 18,373,836</u>	<u>\$ 21,451,110</u>	<u>\$ 18,713,439</u>	<u>\$ 25,925,523</u>	<u>\$ 30,297,291</u>
Business-type activities:										
Net investment in capital assets	\$ 25,537,051	\$ 26,716,611	\$ 26,259,369	\$ 21,637,303	\$ 20,030,111	\$ 22,939,822	\$ 26,377,804	\$ 27,146,940	\$ 27,944,063	\$ -
Restricted	3,630,315	4,609,939	4,635,773	8,179,585	11,141,987	9,458,119	7,903,956	7,659,795	9,229,348	-
Unrestricted	7,631,682	6,199,522	5,956,844	10,270,015	9,481,715	10,518,930	11,203,397	12,220,689	11,409,389	-
Total business-type activities net position	<u>\$ 36,799,048</u>	<u>\$ 37,526,072</u>	<u>\$ 36,851,986</u>	<u>\$ 40,086,903</u>	<u>\$ 40,653,813</u>	<u>\$ 42,916,871</u>	<u>\$ 45,485,157</u>	<u>\$ 47,027,424</u>	<u>\$ 48,582,800</u>	<u>\$ -</u>
Primary government:										
Net investment in capital assets	\$ 23,418,201	\$ 27,077,482	\$ 26,565,304	\$ 21,872,494	\$ 22,740,570	\$ 27,802,940	\$ 31,775,183	\$ 33,133,518	\$ 35,723,061	\$ 9,810,692
Restricted	5,700,494	8,092,860	7,927,554	11,894,830	14,880,213	18,091,870	18,709,825	15,094,804	21,428,544	15,148,325
Unrestricted	20,450,050	15,791,414	16,864,017	21,549,581	19,647,984	15,395,897	16,451,259	17,512,541	17,356,718	5,338,274
Total primary government net position	<u>\$ 49,568,745</u>	<u>\$ 50,961,756</u>	<u>\$ 51,356,875</u>	<u>\$ 55,316,905</u>	<u>\$ 57,268,767</u>	<u>\$ 61,290,707</u>	<u>\$ 66,936,267</u>	<u>\$ 65,740,863</u>	<u>\$ 74,508,323</u>	<u>\$ 30,297,291</u>

Note:

* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

CITY OF TULLAHOMA, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Expenses										
Governmental activities:										
General government	\$ 2,507,541	\$ 2,098,177	\$ 2,207,429	\$ 2,064,175	\$ 2,475,135	\$ 2,200,671	\$ 2,301,526	\$ 2,326,542	\$ 4,583,446	\$ 4,648,635
Public safety	4,185,343	4,734,512	4,895,286	4,899,328	4,785,495	4,914,353	5,157,936	5,262,024	5,422,107	5,780,881
Public works	3,963,002	4,512,959	3,958,539	4,013,062	4,199,087	4,090,510	4,520,320	4,891,574	4,648,946	4,805,951
Community services	280,122	258,962	196,297	184,212	442,897	428,682	575,091	511,199	570,031	739,254
Waste management	1,817,619	1,772,753	1,771,673	1,770,754	1,856,650	1,862,225	1,889,484	1,926,323	2,027,969	2,350,140
Education	31,092,600	31,524,951	31,731,495	33,264,419	33,274,087	34,290,366	33,748,472	33,329,968	32,127,426	35,281,626
Interest and other debt related costs	1,367,020	1,333,800	1,237,492	1,335,436	1,300,931	1,160,626	1,025,774	980,816	938,576	928,612
Total governmental activities expenses	45,213,247	46,236,114	45,998,211	47,531,386	48,334,282	48,947,433	49,218,603	49,228,446	50,318,501	54,535,099
Business-type activities:										
Tullahoma Utilities Board	30,033,871	35,217,988	36,521,327	39,907,815	40,547,972	40,468,208	41,467,595	42,336,086	41,144,537	-
Total primary government expenses	\$ 75,247,118	\$ 81,454,102	\$ 82,519,538	\$ 87,439,201	\$ 88,882,254	\$ 89,415,641	\$ 90,686,198	\$ 91,564,532	\$ 91,463,038	\$ 54,535,099
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 672,665	\$ 455,051	\$ 412,598	\$ 458,043	\$ 586,807	\$ 451,699	\$ 522,931	\$ 510,331	\$ 2,996,502	\$ 3,043,166
Public safety	29,998	82,432	43,081	49,571	30,229	44,739	22,055	21,158	26,176	17,014
Waste management	575,730	702,726	724,926	772,619	782,997	733,094	724,011	701,567	904,916	1,072,840
Education	1,655,108	1,653,950	1,458,684	1,344,984	1,293,993	1,252,068	1,284,091	1,202,796	1,144,680	1,103,479
Operating grants and contributions	24,679,632	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779	29,932,701
Capital grants and contributions	15,843	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	27,628,976	27,992,120	27,590,305	29,143,061	29,431,414	30,401,900	31,411,300	30,966,234	34,590,053	35,169,200
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	31,554,533	35,925,238	36,043,815	40,982,582	41,207,244	42,396,018	43,594,960	43,830,565	42,796,126	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	59,364	3,000	25,022	317,305	28,896	446,530	766,249	189,776	95,197	-
Total business-type activities program revenues	31,613,897	35,928,238	36,068,837	41,299,887	41,236,140	42,842,548	44,361,209	44,020,341	42,891,323	-
Total primary government program revenues	\$ 59,242,873	\$ 63,920,358	\$ 63,659,142	\$ 70,442,948	\$ 70,667,554	\$ 73,244,448	\$ 75,772,509	\$ 74,986,575	\$ 77,481,376	\$ 35,169,200
Net (Expense)/Revenue										
Governmental activities	\$ (17,584,271)	\$ (18,243,994)	\$ (18,407,906)	\$ (18,388,325)	\$ (18,902,868)	\$ (18,545,533)	\$ (17,807,303)	\$ (18,262,212)	\$ (15,728,448)	\$ (19,365,899)
Business-type activities	1,580,026	710,250	(452,490)	1,392,072	688,168	2,374,340	2,893,614	1,684,255	1,746,786	-
Total primary government net (expense)/revenue	\$ (16,004,245)	\$ (17,533,744)	\$ (18,860,396)	\$ (16,996,253)	\$ (18,214,700)	\$ (16,171,193)	\$ (14,913,689)	\$ (16,577,957)	\$ (13,981,662)	\$ (19,365,899)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	\$ 8,592,122	\$ 8,643,741	\$ 8,771,320	\$ 8,859,312	\$ 8,945,804	\$ 9,371,787	\$ 10,034,154	\$ 10,849,859	\$ 10,684,045	\$ 10,691,265
Local option sales	8,135,657	7,927,112	7,644,114	7,567,686	8,281,290	8,441,549	8,702,708	9,064,791	9,640,761	9,653,579
Other taxes	1,507,065	1,460,558	1,380,041	1,509,462	1,625,657	1,603,231	1,682,403	1,678,591	1,749,653	2,375,383
Investment earnings	604,899	164,840	153,616	310,219	138,125	115,731	62,326	56,349	78,402	103,373
Other revenues	464,469	364,450	309,968	296,752	1,000,543	904,568	492,884	407,671	422,852	791,353
Gain on sale of property	-	-	5,000	6,630	10,315	4,335	-	1,805	13,499	7,000
Transfers	396,924	404,579	395,866	348,169	321,649	(89,082)	286,474	374,523	391,184	-
Total governmental activities	19,701,136	18,965,280	18,659,925	18,898,230	20,323,383	20,352,119	21,260,949	22,433,589	22,980,396	23,621,953
Business-type activities:										
Investment earnings	989,279	311,483	74,961	36,217	32,161	37,439	26,099	23,637	48,451	-
Other revenues	25,713	108,956	81,615	153,804	66,558	113,324	65,118	189,502	151,323	-
Gain on disposal of equipment	8,001	1,000	10,777	-	12,147	9,546	(17,796)	19,396	-	-
Transfers	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)	(271,591)	(286,474)	(374,523)	(391,184)	-
Total business-type activities	626,069	16,860	(215,531)	(213,385)	(121,258)	(111,282)	(213,053)	(141,988)	(191,410)	-
Total primary government	\$ 20,327,205	\$ 18,982,140	\$ 18,444,394	\$ 18,684,845	\$ 20,202,125	\$ 20,240,837	\$ 21,047,896	\$ 22,291,601	\$ 22,788,986	\$ 23,621,953
Change in Net Position										
Governmental activities	\$ 2,116,865	\$ 721,286	\$ 252,019	\$ 509,905	\$ 1,420,515	\$ 1,806,586	\$ 3,453,646	\$ 4,171,377	\$ 7,251,948	\$ 4,256,054
Business-type activities	2,206,095	727,110	(668,021)	1,178,687	566,910	2,263,058	2,680,561	1,542,267	1,555,376	-
Total primary government	4,322,960	1,448,396	(416,002)	1,688,592	1,987,425	4,069,644	6,134,207	5,713,644	8,807,324	4,256,054
Prior period adjustment ⁽¹⁾	-	-	607,843	2,271,438	(35,563)	(47,704)	(488,647)	(6,909,048)	(39,864)	115,714
Total change in net position	\$ 4,322,960	\$ 1,448,396	\$ 191,841	\$ 3,960,030	\$ 1,951,862	\$ 4,021,940	\$ 5,645,560	\$ (1,195,404)	\$ 8,767,460	\$ 4,371,768

Note:
* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

CITY OF TULLAHOMA, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011*	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 213,279	\$ 181,327	\$ 75,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,804,609	5,543,492	5,428,346	-	-	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	8,432	55,354	25,628	21,968	35,491	47,993	70,057
Restricted for:										
Drug enforcement	-	-	-	-	-	57,657	22,262	5,158	437	4,062
Other projects	-	-	-	-	-	80,236	81,375	104,420	187,575	211,322
Committed to:										
Encumbrances	-	-	-	52,887	144,615	87,745	17,715	13,069	-	-
Permanent streets - SSA	-	-	-	-	-	-	163,101	-	-	-
Equipment replacement	-	-	-	936,414	-	544,132	262,023	- **	-	-
Stabilization fund	-	-	-	-	-	-	891,666	1,269,493	1,295,162	1,856,318
Assigned to:										
Paving appropriated by 2012 budget	-	-	-	445,000	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	23,069	15,293
Unassigned	-	-	-	4,260,389	6,318,096	5,685,487	5,412,758	5,491,847	6,043,369	4,704,786
Total general fund	<u>\$ 7,017,888</u>	<u>\$ 5,724,819</u>	<u>\$ 5,504,165</u>	<u>\$ 5,703,122</u>	<u>\$ 6,518,065</u>	<u>\$ 6,480,885</u>	<u>\$ 6,872,868</u>	<u>\$ 6,919,478</u>	<u>\$ 7,597,605</u>	<u>\$ 6,861,838</u>
All Other Governmental Funds:										
Reserved, reported in:										
Special revenue funds	\$ 503,586	\$ 236,886	\$ 259,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	1,919,975	96,722	213,361	-	-	-	-	-	-	-
Debt service funds	1,367,538	2,402,922	2,839,340	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	6,177,139	6,029,616	6,477,392	-	-	-	-	-	-	-
Capital projects funds	(1,347,993)	801,140	-	-	-	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	1,589	1,500	2,624	35,150	37,740
Restricted for:										
Capital improvements	-	-	-	711,588	975,466	972,978	859,865	1,455,692	1,517,103	1,933,296
Debt service	-	-	-	2,769,685	2,464,343	2,547,489	2,989,879	3,355,975	3,695,414	3,692,686
Drug enforcement	-	-	-	84,230	81,250	96,652	90,035	98,457	96,193	95,574
Grant projects	-	-	-	811,316	387,705	572,792	784,114	638,589	790,800	975,449
School operations	-	-	-	5,268,135	4,203,984	3,954,593	5,904,375	6,571,848	8,564,918	9,041,958
Solid waste	-	-	-	171,083	182,700	198,950	214,275	219,807	241,478	381,104
Extended school	-	-	-	117,399	123,369	104,504	88,436	152,114	198,031	220,580
Equipment replacement	-	-	-	-	-	-	-	590,235	564,236	848,024
Committed to:										
Encumbrances	-	-	-	21,806	8,668	1,070	9,176	-	-	-
Assigned to:										
School MOE	-	-	-	139,268	139,268	286,736	286,736	286,736	286,736	286,736
Other	-	-	-	-	-	-	-	-	163,559	312,267
Total all other governmental funds	<u>\$ 8,620,245</u>	<u>\$ 9,567,286</u>	<u>\$ 9,789,723</u>	<u>\$ 10,094,510</u>	<u>\$ 8,566,753</u>	<u>\$ 8,737,353</u>	<u>\$ 11,228,391</u>	<u>\$ 13,372,077</u>	<u>\$ 16,153,618</u>	<u>\$ 17,825,414</u>

Notes:

* In 2011, the City implemented GASB Statement No. 54.

** General Fund balance committed to Equipment replacement is not in the 2015 amounts since fund was pulled out.

CITY OF TULLAHOMA, TENNESSEE
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 18,075,027	\$ 17,844,188	\$ 17,632,917	\$ 17,752,523	\$ 18,655,100	\$ 19,352,565	\$ 20,302,231	\$ 21,530,130	\$ 21,995,432	\$ 22,137,876
Payment in lieu of tax	159,817	187,223	162,559	183,937	197,651	64,002	117,034	63,111	79,027	582,351
Intergovernmental	24,695,475	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779	29,932,701
Licenses and permits	146,560	138,158	80,908	78,399	83,580	60,667	75,761	69,970	89,499	95,928
Fines and forfeitures	410,656	244,343	232,525	271,996	401,497	285,286	339,439	296,694	327,496	340,979
Charges for services	2,346,287	2,429,226	2,282,775	2,225,251	2,178,720	2,090,908	2,115,833	2,048,030	2,466,610	2,614,082
Investment income	379,913	164,840	153,614	172,165	136,234	114,043	61,377	56,166	77,768	101,730
Sale of property	400	19,852	5,000	10,630	263,704	33,979	380	1,805	14,589	7,000
Note repayments	43,009	95,613	132,323	136,012	21,852	231,108	268,744	251,447	307,536	321,650
Other	719,051	446,882	353,049	484,324	1,030,772	949,307	514,939	428,829	432,737	738,654
Total revenues	46,976,195	46,668,286	45,986,686	47,833,081	49,706,498	51,102,165	52,653,950	53,276,564	55,308,473	56,872,951
Expenditures:										
General government	1,177,901	1,182,578	1,322,151	1,234,081	1,358,035	1,315,194	1,375,272	1,377,007	1,511,588	1,596,369
Public safety	4,665,946	4,726,599	4,697,942	4,809,616	4,784,089	4,917,067	5,154,815	5,175,176	5,276,039	5,669,534
Public works	2,056,101	2,087,564	1,928,681	1,947,571	2,036,722	2,081,867	2,160,985	2,526,860	2,466,897	2,701,517
Parks and recreation	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151	1,286,665	1,246,121	1,410,020	1,777,739	1,892,417
Community services	262,571	253,497	176,690	174,919	451,058	479,868	576,904	481,399	548,111	736,690
Waste management	1,832,253	1,807,441	1,733,132	1,717,743	-	-	-	-	-	-
Public education	26,957,513	28,075,339	27,812,938	29,354,890	29,040,195	29,543,152	29,545,083	30,013,294	29,978,405	32,194,990
Program costs	2,292,566	2,616,312	2,051,527	1,924,886	3,985,279	4,101,157	4,196,864	4,291,040	4,510,580	5,018,525
Capital outlay	5,563,226	5,368,217	11,608,444	7,827,750	3,653,411	4,009,508	4,118,658	5,859,668	3,726,328	2,358,330
Loans disbursed	7,055	79,650	70,000	468,589	639,500	71,905	90,000	466,141	183,500	138,366
Debt service:										
Principal	1,312,068	1,463,025	1,484,368	1,917,000	2,174,000	2,323,000	2,252,000	2,613,115	7,258,000	2,790,500
Interest	1,353,384	1,311,479	1,143,371	1,263,774	1,262,493	1,189,464	1,047,690	1,012,054	984,148	953,753
Fiscal charges	2,599	94,828	89,167	67,784	1,465	67,050	2,600	1,800	29,235	1,650
Total expenditures	48,636,488	50,323,160	55,419,835	53,958,800	50,705,398	51,385,897	51,766,992	55,227,574	58,250,570	56,052,641
Excess of revenues over (under) expenditures	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)	(283,732)	886,958	(1,951,010)	(2,942,097)	820,310
Other Financing Sources (Uses):										
Issuance of refunding bonds	-	2,892,463	12,992,125	4,750,000	-	4,700,000	-	-	4,585,000	-
Issuance of notes	-	-	-	1,329,412	-	-	1,737,955	3,766,782	1,423,878	-
Payment to refunding bond escrow agent	-	-	(4,131,287)	-	-	(4,795,000)	-	-	-	-
Bond issue premium	-	-	111,388	-	-	215,561	-	-	-	-
Transfers in	14,196,338	17,838,616	23,703,053	19,785,433	15,816,090	15,547,893	16,514,047	17,594,604	17,162,048	17,298,839
Transfers out	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)	(15,251,302)	(16,227,573)	(17,220,081)	(16,770,864)	(17,298,839)
Total other financing sources (uses)	396,924	3,297,042	9,425,329	6,415,343	321,679	417,152	2,024,429	4,141,305	6,400,062	-
Net change in fund balances	\$ (1,263,369)	\$ (357,832)	\$ (7,820)	\$ 289,624	\$ (677,221)	\$ 133,420	\$ 2,911,387	\$ 2,190,295	\$ 3,457,965	\$ 820,310
Debt service as a percentage of noncapital expenditures	6.42%	6.72%	6.30%	7.33%	7.74%	7.87%	7.31%	7.18%	14.91%	6.89%

CITY OF TULLAHOMA, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Residential Property	Commercial Property	Total Taxable Assessed Value	County	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2008	2007	\$ 157,042,475	\$ 163,527,494	\$ 320,569,969	Coffee	2.44	\$ 1,066,319,358	30.063%
		17,746,850	4,298,649	22,045,499	Franklin	2.44	84,379,680	26.127%
2009	2008	159,404,850	164,136,385	323,541,235	Coffee	2.44	1,086,798,263	29.770%
		18,423,550	5,027,499	23,451,049	Franklin	2.44	89,401,911	26.231%
2010	2009	166,140,275	162,085,710	328,225,985	Coffee	2.44	1,103,987,272	29.731%
		19,049,450	4,709,942	23,759,392	Franklin	2.44	90,930,491	26.129%
2011	2010	169,593,225	183,579,854	353,173,079	Coffee	2.29	1,165,946,883	30.291%
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%
2012	2011	169,198,875	183,726,208	352,925,083	Coffee	2.29	1,163,428,830	30.335%
		18,722,900	4,879,356	23,602,256	Franklin	2.42	88,680,716	26.615%
2013	2012	170,118,350	188,815,256	358,933,606	Coffee	2.29	1,183,144,274	30.337%
		18,403,050	4,338,099	22,741,149	Franklin	2.31	86,593,425	26.262%
2014	2013	171,331,825	192,247,233	363,579,058	Coffee	2.54	1,198,477,195	30.337%
		18,729,550	5,107,985	23,837,535	Franklin	2.56	90,464,876	26.350%
2015	2014	169,335,750	192,629,158	361,964,908	Coffee	2.60	1,189,993,603	30.417%
		19,406,475	4,912,797	24,319,272	Franklin	2.61	92,564,873	26.273%
2016	2015	176,428,575	194,591,762	371,020,337	Coffee	2.60	1,224,636,987	30.296%
		20,337,700	5,463,209	25,800,909	Franklin	2.61	98,303,094	26.246%
2017	2016	178,058,200	195,395,177	373,453,377	Coffee	2.60	1,239,656,432	30.126%
		20,700,150	5,101,673	25,801,823	Franklin	2.61	98,771,326	26.123%

Ratio of assessed value to appraised value: 25 % Residential, Farm, Agricultural, and Forest
 40 % Commerical and Industrial
 30 % Personal (equipment)

**CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Coffee County			Franklin County		
	City Direct Rate	Coffee County Rate	Overlapping Rate ⁽¹⁾	City Direct Rate	Franklin County Rate	Overlapping Rate ⁽²⁾
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65
2012	2.29	2.58	4.87	2.42	2.23	4.65
2013	2.29	2.58	4.87	2.31	2.44	4.75
2014	2.54	2.58	5.12	2.56	2.44	5.00
2015	2.60	2.87	5.47	2.61	2.45	5.06
2016	2.60	2.87	5.47	2.61	2.36	4.97
2017	2.60	2.87	5.47	2.61	2.36	4.97

(1) Overlapping rates are those of local and Coffee County governments that apply to property owners within the City of Tullahoma.

(2) Overlapping rates are those of local and Franklin County governments that apply to property owners within the City of Tullahoma.

Property tax rates are per \$100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2016 Property Tax Rates.

**CITY OF TULLAHOMA, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

	2017			2008		
	(for tax year 2016)			(for tax year 2007)		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tullahoma HMA, Inc.	\$ 9,787,640	1	2.47%	\$ 6,481,480	1	1.89%
Goodrich/United Technology	9,649,391	2	2.43%	2,606,231	10	0.76%
Ascend Federal Credit Union	5,340,520	3	1.35%	2,756,440	7	0.80%
Forest Gallery, LLC	4,489,760	4	1.13%	4,595,680	2	1.34%
Centro NP Commerce Central	4,330,800	5	1.09%	-	-	-
Harton Regional Medical Center	3,559,651	6	0.90%	2,711,089	8	0.79%
Lowes Home Center, Inc.	3,424,600	7	0.86%	3,446,720	5	1.01%
Northgate Unlimited	2,925,250	8	0.74%	3,798,440	1	1.11%
ADA Ferrell Garden II LP	2,300,000	9	0.65%	-	-	-
Coffee County Ind. Board	2,571,680	10	0.58%	-	-	-
Excel Realty Partners	-	-	-	4,199,640	3	1.23%
Bell South	-	-	-	3,271,856	6	0.95%
Harton Family Partners	-	-	-	2,687,305	9	0.78%
Total	\$ 48,379,292		12.20%	\$ 36,554,881		10.66%

Source: Tullahoma City Recorder

CITY OF TULLAHOMA, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Tax Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
			Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2008	2007	\$ 8,359,817	\$ 8,130,511	97.26%	\$ 220,367	\$ 8,350,878	99.89%	
2009	2008	8,466,612	8,292,213	97.94%	167,845	8,460,058	99.92%	
2010	2009	8,588,443	8,454,948	98.45%	118,697	8,573,645	99.83%	
2011	2010	8,756,655	8,562,514	97.78%	181,450	8,743,964	99.86%	
2012	2011	8,782,720	8,349,786	95.07%	421,527	8,771,313	99.87%	
2013	2012	8,871,714	8,479,360	95.58%	367,922	8,847,282	99.72%	
2014	2013	9,981,425	9,433,864	94.51%	505,591	9,939,455	99.58%	
2015	2014	10,271,041	9,833,739	95.74%	388,852	10,222,591	99.53%	
2016	2015	10,320,976	9,952,370	96.43%	289,012	10,241,382	99.23%	
2017	2016	10,383,215	10,008,040	96.39%	-	10,008,040	96.39%	

Source: City of Tullahoma Finance Department

**CITY OF TULLAHOMA, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Outlay Notes	Capital Leases	Revenue Bonds	Notes			
2008	\$ 30,080,000	\$ 775,000	\$ 121,393	\$ 18,310,000	\$ 9,028,508	\$ 58,314,901	N/A	3,147
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,431
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,612
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571
2013	39,408,179	380,000	-	15,800,000	7,472,828	63,061,007	N/A	3,380
2014	37,199,147	2,028,955	-	14,939,607	7,703,702	61,871,411	N/A	3,317
2015	34,863,115	5,472,622	-	14,103,980	7,160,020	61,599,737	N/A	3,302
2016	32,439,600	6,559,500	-	13,233,353	6,204,391	58,436,844	N/A	3,133
2017*	30,004,175	6,163,000	-	-	-	36,167,175	N/A	1,939

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

**CITY OF TULLAHOMA, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2008	30,080,000	3,790	30,076,210	0.03	1,671.46
2009	31,692,463	2,064	31,690,399	0.03	1,709.94
2010	39,166,588	20,869	39,145,719	0.04	2,112.22
2011	43,498,000	19,628	43,478,372	0.04	2,340.19
2012	41,406,000	13,327	41,392,673	0.04	2,218.85
2013	39,408,179	54,844	39,353,335	0.03	2,109.53
2014	37,199,147	152,117	37,047,030	0.03	1,985.90
2015	34,863,115	235,905	34,627,210	0.03	1,856.19
2016	32,439,600	227,906	32,211,694	0.03	1,726.71
2017	30,004,175	268,979	29,735,196	0.03	1,593.95

**CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Coffee County Bonds (exclude school debt)	\$ 24,352,379	37.29%	\$ 9,081,002
Franklin County Bonds (exclude school debt)	6,983,978	2.95%	<u>206,027</u>
Subtotal, overlapping debt			\$ 9,287,029
City of Tullahoma direct debt			<u>38,999,100</u>
Total direct and overlapping debt			<u><u>\$ 48,286,129</u></u>

(1) The percentage of overlapping debt is calculated by dividing the City of Tullahoma's assessed property values by the total of each county's assessments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tullahoma. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF TULLAHOMA, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: There is no legal debt margin for the City of Tullahoma. Therefore, the calculation is not presented.

**CITY OF TULLAHOMA, TENNESSEE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Primary Government			Tullahoma Utilities Board Revenue Bonds				
Fiscal Year	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2017**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2016	42,796,126	37,260,504	5,535,622	915,000	550,218	1,465,218	3.78
2015	43,830,565	38,393,305	5,437,260	875,000	588,912	1,463,912	3.71
2014	43,594,960	37,523,923	6,071,037	840,000	624,993	1,464,993	4.14
2013	42,396,018	36,460,690	5,935,328	805,000	658,583	1,463,583	4.06
2012	41,207,244	36,567,388	4,639,856	775,000	691,737	1,466,737	3.16
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85

Component Unit			Tullahoma Utilities Authority Revenue Bonds				
Fiscal Year	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2017**	\$ 43,830,884	\$ 37,909,098	\$ 5,921,786	\$ 1,671,000	\$ 259,119	\$ 1,930,119	3.07
2016	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-

Notes

* Net of depreciation and amortization

** In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

**CITY OF TULLAHOMA, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income*	Median Age**	School Enrollment	Unemployment Rate
2008	17,994	N/A	\$ 28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,129	38.1	3,542	9.8%
2012	18,655	N/A	23,129	38.1	3,370	7.6%
2013	18,655	N/A	23,129	38.1	3,373	9.3%
2014	18,655	N/A	21,802	40.5	3,443	6.6%
2015	18,655	N/A	23,334	43.4	3,465	5.9%
2016	18,655	N/A	23,968	41.8	3,347	5.5%
2017	18,655	N/A	24,765	43.8	3,513	5.1%

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

*The latest per capita personal income published was in 2011.

**The latest median age available was taken from city.data.com last updated in 2012.

Sources: Population estimates provided by Middle Tennessee Industrial Development Association. Personal income and per capita personal income provided by U.S. Bureau of Economic Analysis. School enrollment provided by the Tennessee Department of Education, Average Daily Membership Report.

**CITY OF TULLAHOMA, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2017			2008		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
City of Tullahoma	653	1	2.69%	766	1	3.19%
Harton Regional Medical Center	598	2	2.46%	550	2	2.29%
TE Connectivity	260	3	1.07%	-	-	-
Cubic Transportation Systems	240	4	0.99%	223	5	0.93%
United Tech/Goodrich	180	5	0.74%	269	3	1.12%
Wisco Envelopes Co., Inv.	180	6	0.74%	265	4	1.10%
JSP International	165	7	0.68%	-	-	-
Sonoco Corporation	150	8	0.62%	-	-	-
Schmiede Corporation	140	9	0.58%	136	9	0.57%
Coca Cola Bottling Works	120	10	0.49%	-	-	-
Tennessee Apparel	-	-	-	220	6	0.92%
Fujicolor Processing, Inc	-	-	-	158	8	0.66%
Createc Corporation	-	-	-	120	10	0.50%
Jacobs Engineering	-	-	-	174	7	0.72%
Total	<u>2,686</u>		<u>11.06%</u>	<u>2,881</u>		<u>12.00%</u>

Source: Middle Tennessee Industrial Development Association and Industrial Board of Coffee County.

CITY OF TULLAHOMA, TENNESEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Governmental Activities:										
Administrative	4	4	7	7	7	7	7	7	7	7
Finance	6	6	4	3	4	4	4	4	4	4
Planning	4	4	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2	2	2	2
Police:										
Personnel and officers	46	47	45	45	45	45	45	45	45	45
Fire:										
Firefighters and officers	38	40	39	38	38	38	38	38	38	38
Public Works	42	42	42	42	42	42	42	44	44	44
Parks and recreation	35	35	35	14	14	14	14	39	40	40
Education	517	502	502	502	492	492	489	495	528	537
Business-type Activities:										
Tullahoma Utilities Board	72	77	75	79	79	80	81	80	81	-
Total	<u>766</u>	<u>759</u>	<u>755</u>	<u>736</u>	<u>727</u>	<u>728</u>	<u>726</u>	<u>758</u>	<u>793</u>	<u>721</u>

Note:

* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	Fiscal year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Police:										
Physical arrests	2,294	1,534	1,765	1,699	1,236	1,193	1,314	1,214	1,606	1,554
Traffic violations	6,414	2,757	2,626	2,992	4,247	4,193	4,531	4,479	4,672	5,103
Fire:										
Emergency response	564	487	495	600	536	699	1,018	1,180	1,300	1,292
Inspections	652	463	599	750	649	295	652	669	670	765
Business-type activities:										
Average number of customers:										
Power System	11,004	10,287	10,359	10,359	10,376	10,396	11,045	10,586	10,675	-
Water System	9,463	9,500	9,504	9,540	9,597	9,637	9,740	9,824	9,880	-
Wastewater System	7,321	7,321	7,310	7,335	7,390	7,415	7,499	7,569	7,614	-
Fiber Optics System	N/A	1,393	1,756	2,565	2,852	3,131	3,247	3,379	3,488	-

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.

CITY OF TULLAHOMA, TENNESSEE
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles)	330	330	330	330	330	330	330	330	330	330
Parks and recreation:										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	200	200	590	590	590	590	590	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	11	11	11	11	11	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	-	4	4	4	4	4	4	4	4	4
Business-type activities:										
Tullahoma Utilities Board:										
Electric:										
Streetlights	2,829	2,854	2,854	2,854	2,882	2,886	2,886	2,912	2,905	-
Water:										
Water mains (miles)	265	270	260	260	260	270	270	270	270	-
Fire hydrants	1,009	1,032	1,024	1,024	1,024	1,093	1,093	1,093	1,093	-
Storage capacity (thousand gallons)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-
Wastewater:										
Sanitary sewers (miles)	160	160	160	160	160	200	200	200	200	-
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	-
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	-

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

ELECTRIC RATES

RESIDENTIAL SERVICE	<u>Base Rate</u>	<u>Fuel Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Retail Rate</u>
Customer Charge	\$18.00		
Peak (1 PM-7 PM, Mon-Fri)	\$0.10551 kWh	0.02145	\$0.12696
Off-Peak	\$0.05267 kWh	0.02145	\$0.07412
Transition	\$0.05727 kWh	0.02145	\$0.07872

GENERAL POWER SERVICE

GSA-1 Small If (a) the higher of (1) the customer's currently effective contract demand, if any, or (2) its highest billing demand during the latest 12-month period is not more than 50kW and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:
(200 amp service or less)

Customer Charge	\$21.00		
Peak (1 PM-7 PM, Mon-Fri)	\$0.09453 kWh	0.02117	\$0.11570
Off-Peak	\$0.07128 kWh	0.02117	\$0.09245
Transition	\$0.07343 kWh	0.02117	\$0.09460

GSA-1 Large If (a) the higher of (1) the customer's currently effective contract demand, if any, or (2) its highest billing demand during the latest 12-month period is not more than 50kW and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:
(>200 amp service or 3phase service)

Customer Charge	\$21.00		
Peak (1 PM-7 PM, Mon-Fri)	\$0.09453 kWh	0.02117	\$0.11570
Off-Peak	\$0.07128 kWh	0.02117	\$0.09245
Transition	\$0.07343 kWh	0.02117	\$0.09460
Facility Charges	70% of highest 12 month demand @ 0.50 per kw		

GSA-2 If (a) the higher of (1) the customer's currently effective contract demand or (2) its highest billing demand during the latest 12-month period is greater than 50kW but not more than 1,000 kW or (b) if the customer's billing demand is less than 50 kWh and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge	\$80.00		
0 - 50 kW	\$1.00000 kW		
51 - 1,000 kW	\$6.62 kW		
Coincident Peak	\$3.64 kW		
Peak (1 PM-7 PM, Mon-Fri)	\$0.06026 kWh	0.02097	\$0.08123
Off-Peak	\$0.03450 kWh	0.02097	\$0.05547
Transition	\$0.03769 kWh	0.02097	\$0.05866
Facility Charge	70% of highest 12 months demand @ \$0.50 per kw		
Customer Alignment Charge	First 15,000	0.03017 kWh	
	All over 15,000	0.00353 kWh	

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

ELECTRIC RATES (continued)

GSA-3 If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:

Customer Charge	\$200.00		
0 - 1,000 kW	\$9.75 kW		
1,001 - 5,000 kW	\$11.28 kW		
Coincident Peak	\$3.64 kW		
Peak (1 PM-7 PM, Mon-Fri)	\$0.05462 kWh	0.02085	\$0.07547
Off-Peak	\$0.03137 kWh	0.02085	\$0.05222
Transition	\$0.03446 kWh	0.02085	\$0.05531
Facility Charge	70% of highest 12 months demand @ \$1.00 per kw		

OUTDOOR LIGHTING

All kWh	\$0.04568 kWh	0.02145	\$0.06713
---------	---------------	---------	-----------

An additional Facility Charge is applicable

<u>Type Fixture</u>		<u>Rated kWh</u>	<u>Energy Charge</u>	<u>Facility Charge</u>	<u>Monthly Charge</u>
100 Watt High Pressure Sodium	Type A	45	\$3.02	\$5.86	\$8.88
250 Watt HPS Cobra Head	Type B	111	\$7.45	\$7.55	\$15.00
175 Watt Mercury Vapor	Type C	77	\$5.17	\$5.35	\$10.52
400 Watt Mercury Vapor Open	Type D	174	\$11.68	\$7.02	\$18.70
1000 Watt Metal Halide	Type E	394	\$26.45	\$15.45	\$41.90
Steel Pole	Type F	0	\$0.00	\$11.49	\$11.49
100 Watt HPS Cobra Head	Type G	45	\$3.02	\$5.97	\$8.99
150 Watt HPS Acorn w/concrete pole	Type H	68	\$4.56	\$31.66	\$36.22
175 Watt MH Acorn w/concrete pole	Type I	75	\$5.03	\$33.68	\$38.71
250 Watt HPS Flood	Type J	111	\$7.45	\$10.40	\$17.85
250 Watt HPS Acorn w/concrete pole	Type K	111	\$7.45	\$31.80	\$39.25
250 Watt HPS Shoebox w/sq. steel pole	Type L	111	\$7.45	\$55.47	\$62.92
400 Watt HPS Flood	Type M	171	\$11.48	\$10.69	\$22.17
400 Watt MH Cobra Head	Type N	164	\$11.01	\$8.41	\$19.42
400 Watt MH Flood	Type O	164	\$11.01	\$12.59	\$23.60

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

WATER RATES

	(Per 1,000 Gallons)		
	City Limits		County Line
	Inside	Outside	Cooperative
First 100,000 gallons	\$2.83	\$4.06	\$4.36
All over 100,000 gallons	\$2.62	\$3.74	\$3.80
Customer charge	\$5.50/mo.	\$8.25/mo.	\$10.82/mo.
Multi-unit charge	\$4.88/mo.	\$4.88/mo.	\$4.88/mo.

WASTE WATER RATES

	(Per 1,000 Gallons)	
	Inside City Limits	
	Residential	Commercial
First 100,000 gallons	\$5.07	\$5.57
All over 100,000 gallons	\$4.49	\$4.49
Customer charge	\$8.79/mo.	\$17.58/mo.
Multi-unit charge	\$6.04/mo.	\$6.04/mo.

BROADBAND SERVICE RATES

Residential

TV Packages

Lifeline Basic	\$	24.95
Expanded Basic	\$	69.95
Digital Plus (includes HD set top box)	\$	88.95
Single Service Adder (subscribe to only one service)	\$	15.00

Digital Tiers

Sports Tier (11 Channels)	\$	3.00
Movie Tier (4 Channels)	\$	3.00
Latino Tier (11 Channels)	\$	3.00

Premium Movie Channels

Showtime	\$	15.00
Cinemax	\$	15.00
Starz!	\$	15.00
HBO	\$	18.00
\$3.00 discount for 2 movie channels		
\$6.00 discount for 3 movie channels		
\$9.00 discount for 4 movie channels		

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

BROADBAND SERVICE RATES (Continued)
Residential (Continued)

Equipment

HD Digital Box - Primary	Included
HD Digital Box - Additional	\$ 8.00
HD/DVR Digital Box - Primary	\$ 7.00
HD/DVR Digital Box - Additional	\$ 15.00
High Capacity HD/DVR Digital Box - Primary	\$ 14.00
High Capacity HD/DVR Digital Box - Additional	\$ 22.00
Whole Home DVR Service	\$ 5.00

High Speed Internet

30 Mbps down / 5 Mbps up (more than one service)	\$ 39.95
single service	\$ 54.95
60 Mbps down / 30 Mbps up	\$ 49.95
single service	\$ 59.95
90 Mbps down / 60 Mbps up	\$ 59.95
single service	\$ 64.95
200 Mbps down / 200 Mbps up	\$ 74.95
1 Gbps down / 1 Gbps up	\$ 89.95

DoublePlay Bundles

LightTube DoublePlay #1	\$ 56.90
Lifeline Basic TV, Premium Home Phone	
LightTube DoublePlay #2	\$ 64.90
Lifeline Basic TV, 15 Mbps down/5 Mbps up Internet	
LightTube DoublePlay #3	\$ 71.90
15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTube DoublePlay #4	\$ 109.90
Expanded Basic TV, 15 Mbps down/5 Mbps up Internet	
LightTube DoublePlay #5	\$ 128.90
Digital Plus TV w/HD, 15 Mbps down/5 Mbps up Internet	

TriplePlay Bundles

LightTUBE Lifeline TriplePlay	\$ 86.95
Lifeline Basic TV, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay	\$ 123.95
Expanded Basic TV, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay Plus	\$ 142.95
Digital Plus TV with HD, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay HD	\$ 149.95
Digital Plus TV with HD/DVR, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay Super Fast	\$ 169.95
Digital Plus TV with HD/DVR, 90 Mbps down/60 Mbps up Internet, Premium Home Phone	

Telephone Services

Premium Home Phone (26 features & unlimited LD)	\$ 31.95
Additional Line with Unlimited LD	\$ 24.95
Single Service Adder (subscribe to only one service)	\$ 15.00

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

BROADBAND SERVICE RATES (Continued)

Commercial

High Speed Internet

5 Mbps Tier (5M/1M)	\$	39.95
No Term	\$	49.95
30 Mbps Tier (30M/3M)	\$	69.95
No Term	\$	79.95
Non-Profit No Term 36-Month Term	\$	49.95
Non-Profit No Term	\$	69.95
50 Mbps Tier (50M/5M)	\$	99.95
No term	\$	129.95
60 Mbps Tier (60M/20M)	\$	199.95
No Term	\$	249.95
100Mbps Tier (100M/50M)	\$	499.95
No Term	\$	599.95

Static IP Addresses

1 Address (none included in 5 Mbps package)		Free
1 Addresses	\$	3.00
5 Addresses	\$	10.00
13 Addresses	\$	15.00
29 Addresses	\$	20.00

Additional Email and Hosting Services

LightTUBe Domain		Included
Vanity Domain	\$	5.00 each
Additional email addresses (single)	\$	2.00
Additional email addresses (block of 25)	\$	4.00

Telephone Services

Standard Business Phone (22 features & unlimited LD)		
3 Year Term	\$	29.95
2 Year Term	\$	34.95
No Term	\$	39.95
Premium Business Phone (35 features & unlimited LD)		
3 Year Term	\$	33.95
2 Year Term	\$	38.95
No Term	\$	43.95
Analog T1		
Fixed fee per T1	\$	100.00
Per Channel Charge (minimum of 9)	\$	20.00
Digital T1 (PRI)		
Full 2-Way T1 (23+D)	\$	500.00
Half 2-Way T1 (12+D)	\$	300.00
Full Inbound-Only T1 (23+D)	\$	250.00
Block of 20 DIDs	\$	15.00
Long Distance (per minute)	\$	0.05
800 Service (monthly)	\$	5.00
Remote Call Forward Line (monthly)	\$	16.00
Remote Call Forward Line (per minute)	\$	0.05
Toll Free Vanity Search	\$	5.00
Account Codes - Verified	\$	5.00

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES AUTHORITY – COMPONENT UNIT
JUNE 30, 2017

BROADBAND SERVICE RATES (Continued)
Commercial (Continued)

Premium Directory Listing

Non-Published Listing	\$ 5.50
Non-Listed Listing	\$ 5.50
Additional Listing	\$ 5.50
Alternate Listing	\$ 5.50

Directory Assistance

Directory Assistance (local & national)	\$ 1.00
Operated Assisted Service Surcharge	\$ 1.00
International Directory Assistance	\$ 5.00

Video Packages

Expanded Basic	\$ 69.95
Digital Basic (no music channels)	\$ 88.95
Expanded Basic (Hospitality)	Varies
Commercial Music Only	\$ 39.95

Equipment

HD Digital Box - Primary	Included
HD Digital Box - Additional	\$ 8.00
HD/DVR Digital Box - Primary	\$ 10.00
HD/DVR Digital Box - Additional	\$ 15.00
High Capacity HD/DVR Digital Box - Primary	\$ 17.00
High Capacity HD/DVR Digital Box - Additional	\$ 22.00
Unreturned Digital Box	\$ 150.00
Unreturned Digital HD Box	\$ 200.00
Unreturned Digital HD/DVR Box	\$ 350.00
Unreturned High Capacity HD/DVR Box	\$ 500.00

Number of customers as of June 30, 2017:

Electric System	10,704
Water System	9,947
Waste Water System	7,662
Fiber System	3,581

CITY OF TULLAHOMA, TENNESSE
AWWA WATER SCHEDULE
JUNE 30, 2017
Unaudited – See Accompanying Accountants' Report

AWWA Free Water Audit Software:

WAS v5.0

American Water Works Association
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Reporting Worksheet

Click to access definition
 Click to add a comment

Water Audit Report for: **Tullahoma Utilities Authority (TN0000715)**
Reporting Year: **2017** **7/2016 - 6/2017**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

----- Enter grading in column 'E' and 'J' ----->

Master Meter and Supply Error Adjustments

WATER SUPPLIED

Volume from own sources: MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

Pcnt: Value: MG/Yr
 MG/Yr
 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **879.638** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **735.957** MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

MG/Yr
 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

143.681 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: MG/Yr
Systematic data handling errors: MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **7.655** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: **143.681** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **154.676** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Service connection density: conn./mile main

Are customer meters typically located at the curbside or property line?

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: psi

COST DATA

Total annual cost of operating water system: \$/Year
Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 87 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies

CITY OF TULLAHOMA, TENNESSEE
AWWA WATER SCHEDULE
JUNE 30, 2017
 Unaudited – See Accompanying Accountants' Report

AWWA Free Water Audit Software:

WAS v5.0
American Water Works Association,
Copyright © 2014, All Rights Reserved.

System Attributes and Performance Indicators

Water Audit Report for: Tullahoma Utilities Authority (TN0000715)

Reporting Year: 2017 7/2016 - 6/2017

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

	Apparent Losses:	7.655	MG/Yr
	+ Real Losses:	136.026	MG/Yr
	= Water Losses:	143.681	MG/Yr
<div style="display: flex; align-items: center;"> <div style="background-color: #4f81bd; color: white; padding: 2px 5px; margin-right: 5px;">?</div> Unavoidable Annual Real Losses (UARL): </div> <div style="display: flex; align-items: center; width: 80%;"> <div style="flex-grow: 1; border-bottom: 1px solid black; margin-right: 5px;"></div> <div style="text-align: right; width: 10%;">59.12</div> <div style="width: 10%;">MG/Yr</div> </div>			
	Annual cost of Apparent Losses:	\$72,488	
	Annual cost of Real Losses:	\$170,032	Valued at Variable Production Cost
			Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	17.6%	
		Non-revenue water as percent by cost of operating system:	7.6%	
<div style="display: flex; align-items: center;"> <div style="width: 15%;"></div> <div style="width: 5%;"></div> <div style="width: 45%;"> <p>Apparent Losses per service connection per day:</p> <p>Real Losses per service connection per day:</p> <p>Real Losses per length of main per day*:</p> <p>Real Losses per service connection per day per psi pressure:</p> </div> <div style="width: 15%; text-align: right;"> <p>1.85</p> <p>32.83</p> <p>N/A</p> <p>0.63</p> </div> <div style="width: 10%;"> <p>gallons/connection/day</p> <p>gallons/connection/day</p> <p></p> <p>gallons/connection/day/psi</p> </div> </div>				
		From Above, Real Losses = Current Annual Real Losses (CARL):	136.03	million gallons/year
		<div style="display: flex; align-items: center;"> <div style="background-color: #4f81bd; color: white; padding: 2px 5px; margin-right: 5px;">?</div> Infrastructure Leakage Index (ILI) [CARL/UARL]: </div>	2.30	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Official</u>	<u>Name</u>	<u>Bond amount</u>
City Administrator	Louis J. Baltz, III	\$ 100,000
Director of Finance	Susan Wilson	\$ 100,000
City Recorder	Rosemary Golden	\$ 100,000
Purchasing Officer	Paige Jackson	\$ 100,000
Police Chief	Paul Blackwell	\$ 10,000

Tullahoma Board of Education

All Board Members	Each occurrence with \$2,500 Retention	\$ 1,000,000
Director of Schools	Dr. Dan Lawson	\$ 774,200
All Employees:		
Employee Wright Specialty	Each and every loss with \$500 deductible	\$ 150,000

Tullahoma Utilities Authority

All Public Officials:		
Liability	Each occurrence/ \$5,000 per occurrence deductible	\$ 1,000,000
All Employees		
Employee Fidelity	Each and every loss	\$ 500,000

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated February 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tullahoma, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 to 2017-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tullahoma, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 to 2017-006.

City of Tullahoma, Tennessee's Response to Findings

City of Tullahoma, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Tullahoma, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tullahoma, Tennessee
February 15, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Tullahoma, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2017. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Tullahoma, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tullahoma, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Tullahoma, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Tullahoma, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Tullahoma, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



Tullahoma, Tennessee
February 15, 2018

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2017**

I. Summary of Auditor's Results

1. The June 30, 2017 Auditor's Report on the Financial Statements is an unqualified opinion.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements – see part II.
3. The audit did not disclose any instances of noncompliance which is material to the financial statements.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The June 30, 2017 report on compliance for major programs is an unqualified opinion.
6. No audit findings required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance were noted.
7. Major Programs include:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Child Nutrition Cluster:	
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School Snacks Program

8. Type A programs have been distinguished as those programs with expenditures greater than \$750,000.
9. City of Tullahoma does qualify to be a low risk auditee.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2017**

II. Findings related to the Financial Statements reported in accordance with *Government Auditing Standards*:

TULLAHOMA BOARD OF EDUCATION

Finding 2017-001: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Recommendation:

We recommend management develop compensating controls such as by engaging the services of other CPA's to draft the financial statements and related disclosures or to review a draft of the financial statements and related disclosures.

Management's Response:

We concur with the auditor's finding and recommendation.

Finding 2017-002: Audit Adjustments

We identified the following audit adjustments through the performance of our audit procedures:

- Due from other governments was understated by \$11,814 in the General Purpose School Fund.
- Due from over government was overstated by \$15,263 in the School Federal and State Project Fund.
- Accounts payable was overstated by \$332,531 in the General Purpose School Fund
- Revenue for sanitation charges from the City of Tullahoma of \$108,237 were not recorded in the General Purpose School Fund.

Recommendation:

We recommend that management implement more stringent cut-off review procedures to identify possible unrecorded transactions.

Management's Response:

We concur with the auditors' finding and recommendation.

Finding 2017-003: Excess Expenditures

The General Purpose School Fund had several expenditures that exceeded total appropriations.

Recommendation:

We recommend that the budget be amended before year end in order to avoid excess expenditures.

Management Response:

We concur with the auditors' finding and recommendation.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COST
JUNE 30, 2017**

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2017-004: Cash Counts

During our four cash counts, we noted that the cash drawer was short on three days and over on the fourth one. Therefore, the cash drawer was not balanced on those days.

Recommendation:

We recommended that the collection should be reconciled each day and amounts over or short, if any, should be accounted for in the accounting record and deposited if applicable.

Management's Response:

We concur with the auditors' finding and recommendation.

CITY HALL

Finding 2017-005: Cash Counts

During our cash count, we noted that cash drawers not balanced at the following locations:

- Three of five cash drawers at D.W. Wilson Community Center were not balanced: two were over and the third one was short.
- Cash drawer at Animal Control was over.
- Cash drawer at Public Works Department was over.

Recommendation:

We recommended that the collection should be reconciled each day and amounts over or short, if any, should be accounted for in the accounting record and deposited if applicable.

Management's Response:

We concur with the auditors' finding and recommendation.

Finding 2017-006: Three-Day Banking Deposit Law

Deposits at Community Centers were not always made within three business days of receipt.

Recommendation:

We recommended that all money should be deposited intact in banks within three business days after the money is received.

Management's Response:

We concur with the auditors' finding and recommendation.

III. Findings related to Federal Awards (no questioned costs):

There were no findings related to the Federal awards for the year ended June 30, 2017.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Statement Findings

Finding Number	Finding Title	Status
2016-001	Tullahoma Utility Board - Deficit fund balance for Fiber Optic Fund (original finding #2010-004)	Corrected
2016-002	Tullahoma Board of Education - Preparation of Financial Statements and Related Disclosures (original finding #2009-002)	Repeated
2016-003	Tullahoma Board of Education - Audit Adjustments (original finding #2009-003)	Repeated
2016-004	Tullahoma Municipal Airport Authority - Cash Counts (original finding #2015-006)	Repeated